



**House Committee on Finance**  
**HB 209 Relating to the Budget of the Office of Hawaiian Affairs**  
**March 11, 2015**  
**11:00am**

**FY 15 and Biennium FY 16 and FY 17**

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Dr. Kamana'opono M. Crabbe

Ka Pouhana, Chief Executive Officer

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OHA Response dated Jan. 22, 2015 to House Finance Chair and Rep. Kobayashi	

## **OVERVIEW**

### **A. Background and Mission**

#### **1. Background**

Upon statehood in 1959, Section 5(f) of the Admission Act directed the State to hold lands in trust for five purposes, one of which was “the betterment of the conditions of Native Hawaiians,” as defined in the Hawaiian Homes Commission Act of 1920. In 1978 a Constitution Convention reviewed and revised the responsibilities of Hawai‘i’s government. Among the provisions incorporated into the new State constitution was the establishment of the Office of Hawaiian Affairs (OHA), as a public trust with mandates to better the conditions of Native Hawaiians and Native Hawaiian community in general. In 1979, the legislature enacted Chapter 10 of the Hawai‘i Revised Statutes (HRS) which implemented made OHA a semi-autonomous self-governing body. Subsequent legislation has defined the amount of the revenue streams accruing to OHA. OHA’s Board of Trustees is composed of nine trustees, five of whom represent specific island districts. OHA’s key administrators include a Chief Executive Officer, Chief Operating Officer and five Departmental Directors ([www.oha.org](http://www.oha.org)).

Hawai‘i is an ethnically-diverse State. Currently, one in five (21.3%) of our island population define themselves as Native Hawaiian. Native Hawaiian households typically consist of larger, multi-generational, families with more children, yet earn less income per person than other populations residing in the State of Hawai‘i (American Community Census, 2013). Throughout each county, Native Hawaiians commonly live in the geographical areas of their ancestors, and with greater density in rural areas than metro cities.

#### **2. Mission**

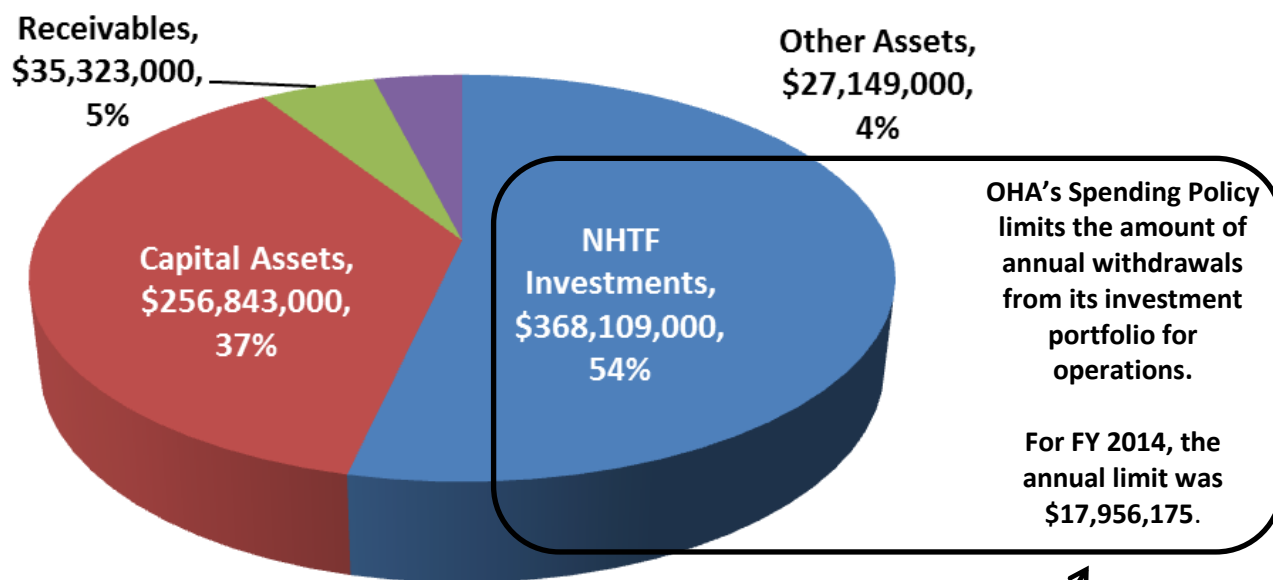
OHA’s mission is to mālama (protect) Hawai‘i’s people, environmental resources and assets, toward ensuring the perpetuation of the culture, the enhancement of lifestyle, and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation, recognized nationally and internationally. According to Hawai‘i Revised Statutes Chapter 10, OHA is the principal public agency in the State of Hawai‘i responsible for:

- Bettering of conditions of Native Hawaiians;
- Coordinating programs and activities relating to Native Hawaiians;
- Assessing the policies and practices of other agencies which impact Native Hawaiians;
- Conducting advocacy efforts on behalf of Native Hawaiians; and,
- Serving as a receptacle for reparations.

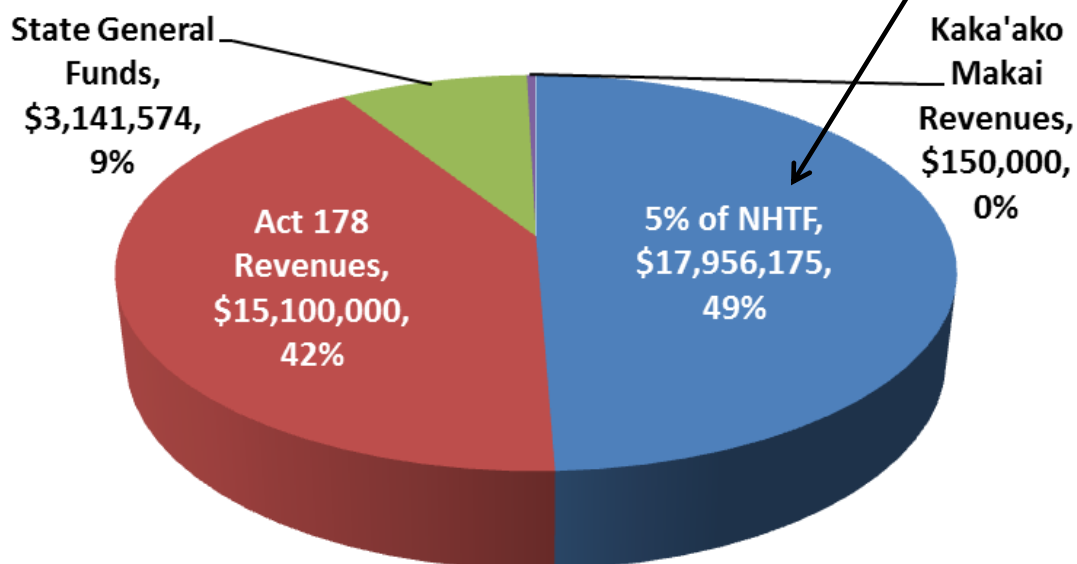
OHA carries out its mission through the strategic allocation of its limited resources. Consistent with best practices among foundations and endowments, and with the purpose of ensuring the continued viability of its Native Hawaiian Trust Fund (NHTF), OHA's Board of Trustees adopted its first Spending Policy in 2003. This Policy limits annual spending to 5% to help ensure sufficient resources are available for future generations.

FY 2014 is used as an example to depict OHA's net assets and core operating budget.

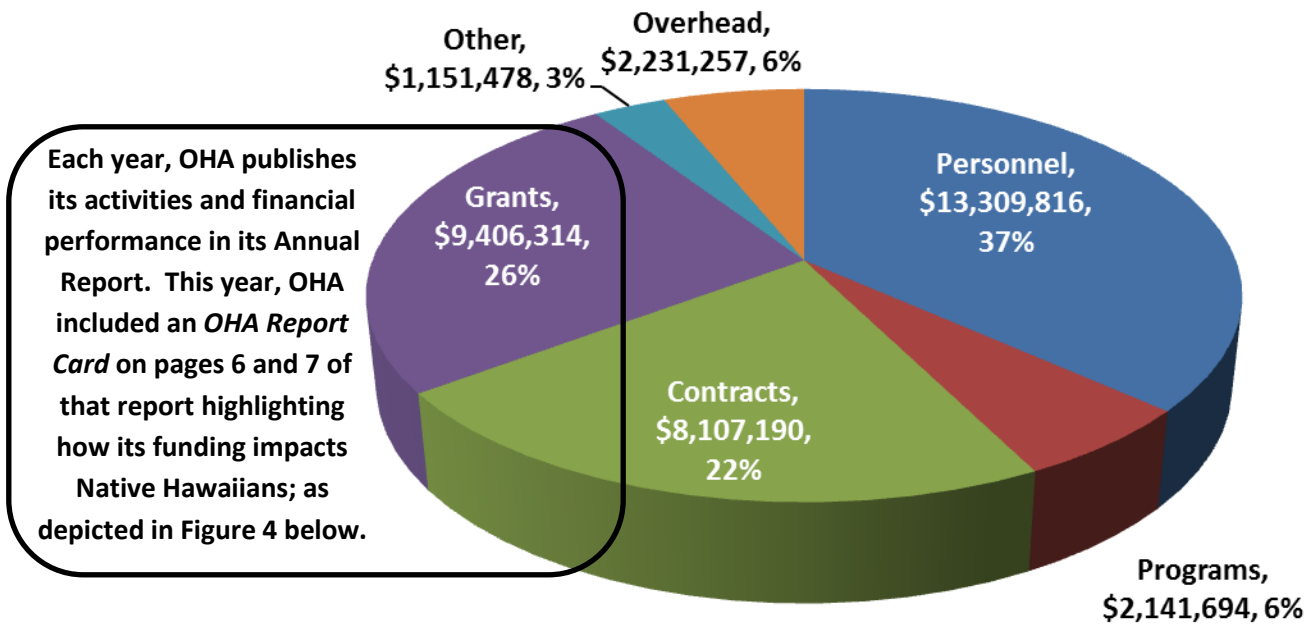
**Figure 1. OHA's FY 2014 Net Assets (unaudited) = \$687,424,000**



**Figure 2. OHA's FY 2014 Funding Sources for Core Operations = \$36,347,749**



**Figure 3. OHA's FY 2014 Core Operating Budget = \$36,347,749**



**Figure 4. FY 2014 OHA Report Card**



See Appendix B for larger image. The complete report can be found at [www.oha.org](http://www.oha.org).

OHA's 2010-2018 Strategic Plan guides the achievement of its vision and mission. Table 1 outlines the progress made on key strategic indicators related to the priorities and expected future outcomes outlined in this request.

**Table 1.** Key Education, Economic and Health Indicators related to OHA's Budget Request

Target Area	➤ Strategic Indicator <i>Related Measure or Evidence from OHA funding</i>	Progress FY 13- FY 14	Future Target*	\$ Requested from State
<b>EDUCATION</b>				
<b>Adults</b>	➤ Increase number (no.) of students with degrees or certificates from the UH System: 12% by 2018	89% of OHA Target	Maintain progress	\$ 0
	○ No. of scholarships provided in 2014	263/yr	Maintain or increase	
<b>K-12</b>	➤ Exceed Math Standards (Up from 32%)	49% SY2013	Maintain or increase*	\$615,000
	➤ Exceed Reading Standards (Up from 55%)	64% SY2013	65% or greater*	
	○ No. of students OHA help assisted	642/yr 2014	Maintain or increase*	
<b>ECONOMIC</b>				
<b>Income</b>	➤ Median Family Income (>92% of State MFI)	90.6% (-\$7,554)	92% or greater*	\$455,000
	○ Per-Capita Income (% of State & Difference)	69% (-\$9,105)	Narrow gap	
	○ No. who completed Financial Literacy Training to secure OHA economic assistance	216/yr	818/yr*	
<b>Housing</b>	➤ Homeownership (Up from 56.2% )	56.7%	58%	\$455,000
	➤ Pay more than 30% of Income on Rental housing expenses (39.4% in 2007)	51.2%	Reduce	
	○ No. of individuals assisted	N/A	434/yr*	
<b>Social Services</b>	○ No. of individuals assisted	3,625	Maintain	\$415,000
<b>HEALTH</b>	➤ Obesity (Down from 49%)	39% FY2013	35% FY2018	\$460,000
	○ No. of individuals who lost weight	227/yr	1,196/yr*	
<b>LEGAL</b>	○ No. of individuals who received legal services including representation	Maintain	Maintain	\$524,400
<b>TOTAL ANNUAL PROGRAMMATIC REQUEST:</b>				<b>\$2,924,400</b>

**Note.** \*= Estimate of future progress is based on securing full funding as requested in this budget proposal.

## B. Current Economic Conditions & Notable Performance

### 1. Impact of Current Economic Conditions

Budget cuts on the State and federal levels, combined with a volatile stock market have significant indirect impact to OHA's operational funds, programs and/or needs of OHA's beneficiaries in a number of ways.

- **Reductions.** In general, any loss of government funding to beneficiary programs and the organizations that serve them will cause an increased demand for supplemental funding from OHA to ensure that the health, education and other daily needs of our beneficiaries are met. Reduced State appropriations have created a reduction in beneficiary assistance, including but not limited to reductions in: 1) emergency financial assistance programs, 2) case management services which assist beneficiaries to access community resources, 3) clinicians providing mental health and substance abuse counseling and support, and 4) health monitoring/navigation programs that assist those with chronic disease to get needed medical care.

Example of loss of federal funding: Due to the sequestration in 2013, funding for the Housing Choice Voucher (HCV) rental subsidy program (previously known as Section 8), which is primarily funded through Federal funds, was reduced, impacting Hawai'i's families. As a result 865 fewer households in Hawai'i were served than the year prior. As a result County housing wait lists under the HCV program are either closed or have long wait lists. OHA's *Hawai'i Renters Study 2013* found that 70% of Native Hawaiian households on one of the county wait lists reported waiting three or more years. The reduction in funding has likely intensified Hawai'i's affordable rental housing challenges, including high rates of overcrowding and unsheltered homeless Native Hawaiian families.

- **Reduced Program Funds.** Trust funds available to OHA decreased due to under-performance of its investment portfolio as a result of the volatile stock market. Continued legal challenges that could seriously impact Native Hawaiians will continue to require financial resources that could otherwise be used to address beneficiary needs.
- **Beneficiaries.** The volatile economic situation before, during, and after the Great Recession of 2008 have resulted in higher costs of living (i.e. housing and food) than wage increases. This has exacerbated Native Hawaiians' lower per capita income, high rates of homelessness, and higher rates of poverty. Research indicates that Native Hawaiians have recovered at a slower rate than others, and that children, particularly those under five, are affected the most.
- **Bottom Line.** State and federal budget cuts have reduced services and programs that previously serviced OHA beneficiaries. As a result, these beneficiaries often turn to OHA to

fill the gap. In recent years, the number of beneficiaries that OHA serves per year has increased 50%. Also, increasingly non-profit and other social services organizations have looked to other avenues to support their work and many have turned to OHA for support.

## **2. Notable Performance**

**Enhanced performance measures.** In the quest to improve conditions for Native Hawaiians, OHA continues to work closely with many community-based partners who continue to play a critical role in the successes presented in Table 1. OHA remains encouraged by visible signs of progress with helping Hawai'i's citizens improve their health; improve their economic self-sufficiency; secure stable housing; improve skills in reading and math; and protect legal rights. Close collaboration between OHA's grant, research, and communications staff with service providers has transformed OHA into a more transparent and accessible grantor. Currently all OHA community grant applications, from each county and for every grant type, are submitted online at OHA's updated website - [www.oha.org](http://www.oha.org). Within the last year OHA has continued to align its funded projects with its strategic priorities, increased its grants monitoring, strengthened its grants performance measures, and streamlined its grant processes with input from FY 13-FY 14 providers.

**Significant Return on Investment via OHA and Community Commitment.** Strong demand continues for OHA grant money to help tackle priority issues. Community partners increasingly tailor marketable services to OHA priorities to help them stay afloat and meet critical needs across the State; Agencies contribute in-kind and a minimum 20% financial match in each grant request. In turn, OHA will be able to leverage state funds as much as 10:1 (in the area of housing).

**Bottom Line.** State General Funds are highly leveraged through its partnership with OHA, as evidenced by an impressive overall 4:1 total impact as depicted in Table 2.

In other words, during the next **biennium**, OHA will turn **\$5.8 million** into **\$23.5 million** to strengthen Hawai'i families and communities.



**Table 2.** Summary of FY 16 & FY 17 Biennium Request

Priority Area	State General Funds	OHA Matching Funds	Community Matching Funds	Community In-Kind	Other OHA Trust Funds	Total Impact	Leveraged Impact	Estimated # of Individuals to be Served	Estimated # of Native Hawaiians to be Served
Social Services	\$ 830,000	\$ 830,000	\$ 528,687	\$ -	\$ -	\$ 2,188,687	2.64	7,250	7,250
Legal Services	1,048,800	1,048,800	150,000	75,000	-	2,322,600	2.21	889	889
Education	1,230,000	1,230,000	811,718	-	-	3,271,718	2.66	4,492	3,124
Health	920,000	920,000	830,171	94,336	-	2,764,507	3.00	3,409	2,392
Housing	910,000	910,000	1,762,693	119,012	6,000,000	9,701,705	10.66	869	869
Income	910,000	910,000	416,147	26,536	1,000,000	3,262,683	3.59	767	767
<b>TOTAL*:</b>	<b>\$ 5,848,800</b>	<b>\$ 5,848,800</b>	<b>\$ 4,499,417</b>	<b>\$ 314,883</b>	<b>\$ 7,000,000</b>	<b>\$ 23,511,900</b>	<b>4.02</b>	<b>17,676</b>	<b>15,291</b>

**Additional Funds through OHA Partnership** (not including OHA in-kind salary & administrative support) **\$ 17,663,100**

**Projected State Funds Leveraged through OHA Partnership** (not including OHA in-kind salary & administrative support)

**4.02 : 1**

**Funding Reconciliation to OHA Budget Bill**

Priority Area	BIENNIUM REQUEST			ANNUAL REQUEST		
	State General Funds	OHA Matching Funds	Total OHA Biennium Budget	State General Funds	OHA Matching Funds	Total OHA Annual Budget
Program Funding (from above)	\$ 5,848,800	\$ 5,848,800	\$ 11,697,600	\$ 2,924,400	\$ 2,924,400	\$ 5,848,800
Personnel	1,040,600	7,918,006	8,958,606	520,300	3,959,003	4,479,303
Operations	593,748	593,748	1,187,496	296,874	296,874	593,748
<b>TOTAL:</b>	<b>\$ 7,483,148</b>	<b>\$ 14,360,554</b>	<b>\$ 21,843,702</b>	<b>\$ 3,741,574</b>	<b>\$ 7,180,277</b>	<b>\$ 10,921,851</b>

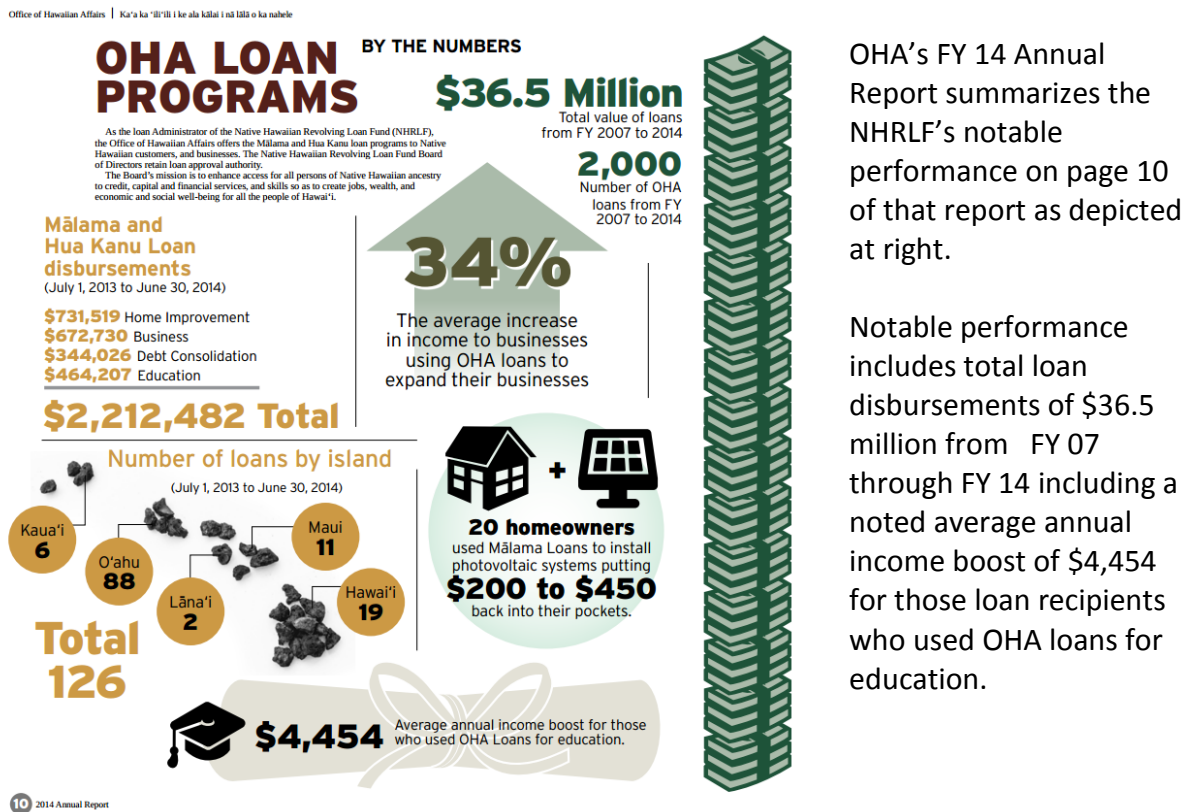
## FEDERAL FUNDS

### C. Impending Loss of Direct Federal Funds

OHA currently administers two Federally-funded programs and a federal grant.

- The Native Hawaiian Revolving Loan Fund (NHRLF), whose mission is to enhance access for all persons of Native Hawaiian ancestry to credit, capital, and financial services to create jobs, wealth, and economic and social well-being for all the people of Hawai‘i;
- The Hālawā Luluku Interpretive Development (HLID) Project, whose three basic goals are compliance, mitigation and community support relating to the adverse impacts as a result of construction of Interstate Highway H-3.

Figure 5. NHRLF’s Notable Performance



In addition, the United States Environmental Protection Agency awarded OHA two Brownfield Assessment grants for community-wide environmental assessments of hazardous substances and petroleum on Kaka‘ako Makai parcels, which began July 1, 2013. Grant funds will be used to complete Phase II Environmental Site Assessments for six Kaka‘ako Makai parcels, including testing and analysis of subsurface contaminants, no later than September 30, 2016.

As of this time, these awards have not lost, or are not at risk, of losing federal funding.

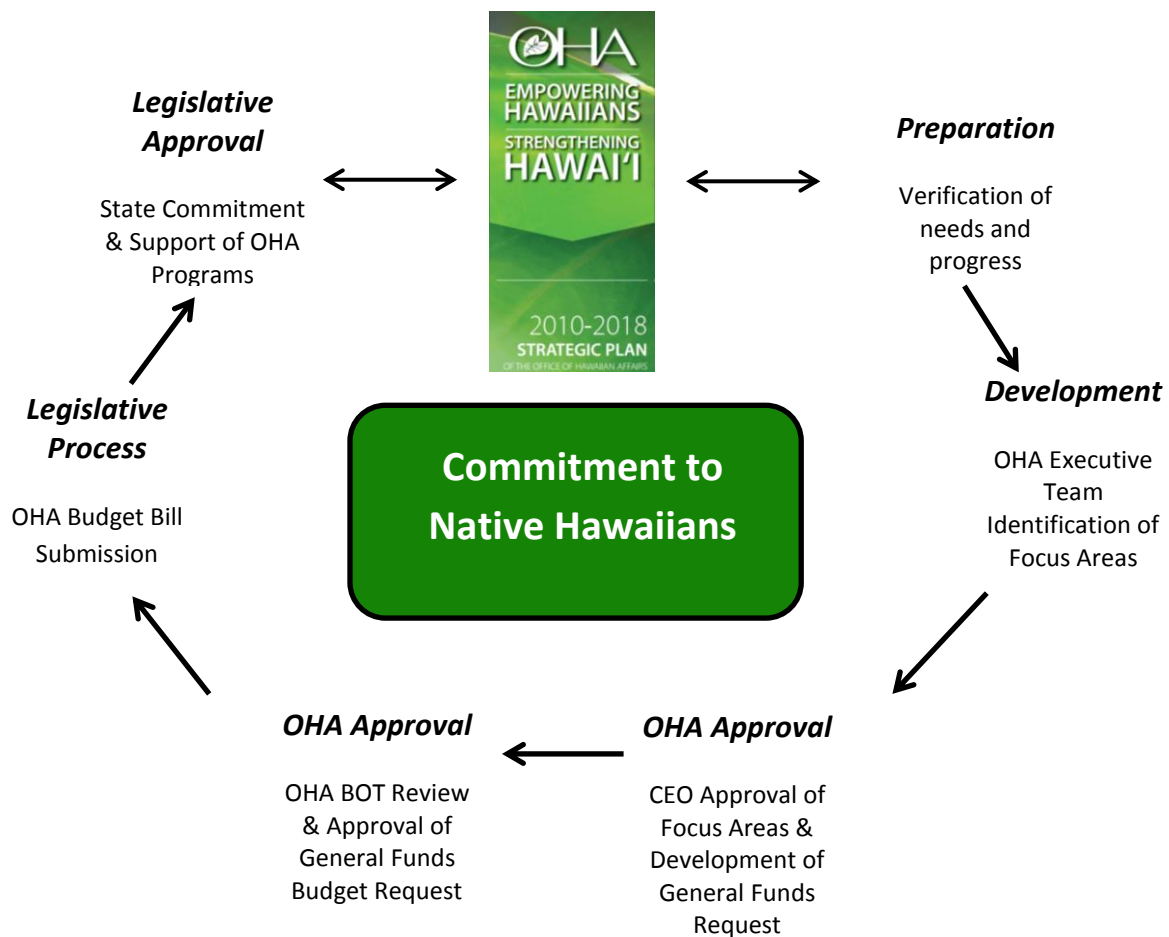
## BUDGET REQUEST

### D. Budget Development Process and Priority Requests

#### 1. Budget Development

As documented in Figure 1, OHA's general funds request centers on both the State and OHA's commitment to Native Hawaiians. The process involves an assessment of priorities, previous progress and needs by OHA's Executive Team prior to Board Approval and eventual Legislative Submission.

**Figure 6.** OHA's General Funds Biennial Budget Development Process



## 2. Summary of Priority Requests

### Overview.

- **Historical Funding.** OHA has received State general funds since 1981 for a portion of its personnel and operating cost and to provide services to beneficiaries in the three priority areas of Social Services, Legal Services, and Education.
- **Changes in the FY 14/FY 15 Biennium.** OHA additionally requested State General Funds assistance in the priority area of Health which targeted programs to reduce obesity.
  - State Funds received by OHA totaled \$638,860
- **Change in the FY 16/FY 17 Biennium.** OHA has prioritized two new priority areas to better address beneficiary need in the areas of Income and Housing. In addition, we expect to expand resources for Health.
  - State Funds requested by OHA totals
    - \$910,000 for Income (new)
    - \$910,000 for Housing (new)
    - \$920,000 for Health (44% increase from the prior biennium)

**Table 3.** Overview of OHA's Budget Request by Priority Area (per year)

Purpose	FB 14/15 (per year)		FB 16/17 (per year)		Adjustments	
	General Funds	Trust Fund Match	General Funds	Trust Fund Match	General Funds	Trust Fund Match
1. Social Services	\$ 415,000	\$ 415,000	\$ 415,000	\$ 415,000	\$ 0	\$ 0
2. Legal	524,400	524,400	524,400	524,400	0	0
3. Education	615,570	615,570	615,000	615,000	-570	-570
4. Health	319,430	319,430	460,000	460,000	140,570	140,570
5. Housing	0	0	455,000	455,000	455,000	455,000
6. Income	0	0	455,000	455,000	455,000	455,000
Cable TV Content	250,000	250,000	0	0	-250,000	-250,000
Sub-Total Programs:	\$ 2,124,400	\$ 2,124,400	\$ 2,924,400	\$ 2,924,400	\$ 800,000	\$ 800,000
A. Personnel	520,300	3,959,003	520,300	3,959,003	0	0
B. Operations	296,874	296,874	296,874	296,874	0	0
Sub-Total Non Programs:	\$ 817,174	\$ 4,255,877	\$ 817,174	\$ 4,255,877	\$ 0	\$ 0
Totals:	\$ 2,941,574	\$ 6,380,277	\$ 3,741,574	\$ 7,180,277	\$ 800,000	\$ 800,000

Although OHA requests State general funds each year, its support to the State and its programs far exceeds its ask as summarized in Table 4 below:

**Table 4.** OHA Support of State Agencies (and other related boards, commissions, councils, etc.) and its University of Hawai‘i FY 07-FY 15 (projected)

Fiscal Year	University of Hawai‘i	Other State Agencies (and Related)	Total
FY 2007	\$ 1,760,887	\$ 6,273,903	\$ 8,034,790
FY 2008	2,069,564	799,535	2,869,099
FY 2009	2,876,531	3,343,216	6,219,747
FY 2010	2,133,538	4,534,260	6,667,798
FY 2011	1,605,347	5,041,820	6,647,167
FY 2012	2,428,644	4,500,000	6,928,644
FY 2013	2,286,470	4,579,500	6,865,970
FY 2014	1,567,330	4,963,000	6,530,330
<b>Sub-total:</b>	<b>\$ 16,728,311</b>	<b>\$ 34,035,234</b>	<b>\$ 50,763,545</b>
Projected FY 2015	1,629,296	4,689,214	6,318,510
<b>Total*:</b>	<b>\$ 18,357,607</b>	<b>\$ 38,724,448</b>	<b>\$ 57,082,055</b>

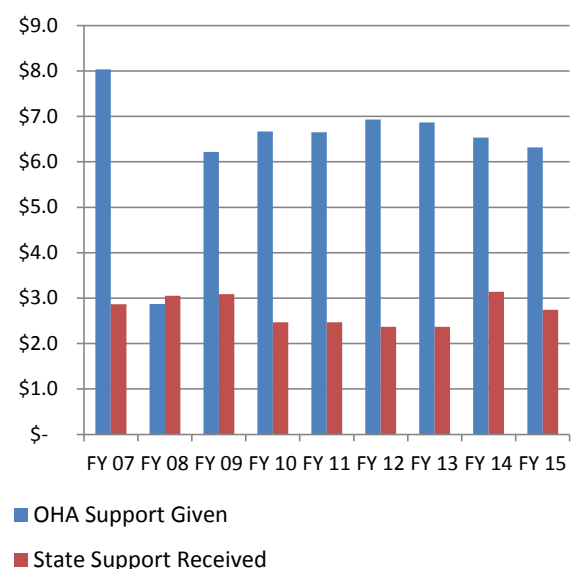
\*Includes State general funds when applicable

During the same period of time (FY 07-FY 15) in which OHA committed over \$57 million in support of State agencies and its University, it received less than \$25 million in State general funds as summarized in Table 5 and Figure 7 below:

**Table 5.** State General Funds to OHA FY 07-FY 15

Fiscal Year	General Funds Amount
FY 2007	\$ 2,866,279
FY 2008	3,053,108
FY 2009	3,087,075
FY 2010	2,469,659
FY 2011	2,469,659
FY 2012	2,370,872
FY 2013	2,370,872
FY 2014	3,141,574
FY 2015	2,741,574
<b>Total:</b>	<b>\$ 24,570,672</b>

**Figure 7.** Funding Comparison (in millions)



These figures do not include numerous other contracts, memoranda of agreements, and partnerships that OHA enters into to facilitate the kuleana (responsibility) of other state agencies (e.g. Hawaiian language assessment, USGS low flow study to assist with State Water Plan, Native Hawaiian Law training course, watershed reports); often times OHA bear a significant portion of the total cost.

In summary, OHA requests **\$5.8 million** (*\$7.4 million total including personnel and operations*) in State general funds for **programmatic support** during the next **biennium**. The State's general funds will be leveraged through its OHA partnership to a projected **\$23.5 million** or **4:1**, as summarized in Table 2 on page 9.

As of this time, OHA considers all budget requests, including changes, as a priority since these funds will be used as leverage to heavily invest over the next two years in addressing six specific priority areas which will ultimately help statewide efforts to strengthen families and communities.

#### **E. Significant Adjustments and Related Outcomes**

Although significant funding changes only occur in the areas of Income, Housing and Health, OHA considers all six specific areas of high priority.

In summary, for OHA's FB 16/17 State General Funds (GF) request includes the following significant adjustments:

##### ➤ **NEW REQUESTS.**

- **HOUSING: New** GF match for Housing allotment in the amount of \$455,000/year; totaling \$910,000 for the FB 16/17.
- **INCOME: New** GF match for Income allotment in the amount of \$455,000/year; totaling \$910,000 for the FB 16/17.

##### ➤ **ADJUSTMENTS/CHANGES.**

- **EDUCATION: Re-describing** "Educational Enrichment" to "Educational Improvement" allotment to better align with OHA's Strategic Plan:
  - **Decrease** request GF match for Educational Improvement allotment to the amount of \$615,000/year; totaling \$1,230,000 for FB 16/17 (slight decrease (\$570/year) to balance requests across OHA priorities).
- **HEALTH: Deleting** request for support of Lifestyle Choices. Reallocate funds to be used as matching funds for Housing, Income, and Health.
  - **Increase** request GF match for Health Improvement allotment to the amount of \$460,000/year, totaling \$920,000 in FB 16/17.
- **LEVERAGE OPPORTUNITIES: Deleting** request for support of Leveraging Opportunities (which ultimately resulted in funding being allocated for "Cable TV Content").

The following summary infographic on page 16 summarizes OHA's overall budget request, projected leveraged impact, and number of Native Hawaiians served as it relates to the needs within its six priority areas.

Unlike many other agencies, OHA seeks minimum State support each year for its operations. In fact, 78% of our FB 16/17 State general funds ask will be used to provide direct services to Hawai'i residents. If OHA does not receive State support for our FB 16/17, an estimated 7,605 (1/2 of 15,210) Native Hawaiians will not receive services as described in Figure 8 below. Moreover, while OHA's programmatic funds are designated specifically for Native Hawaiians, the programs we help fund also provide services to Hawai'i's general population, including non-Native Hawaiians

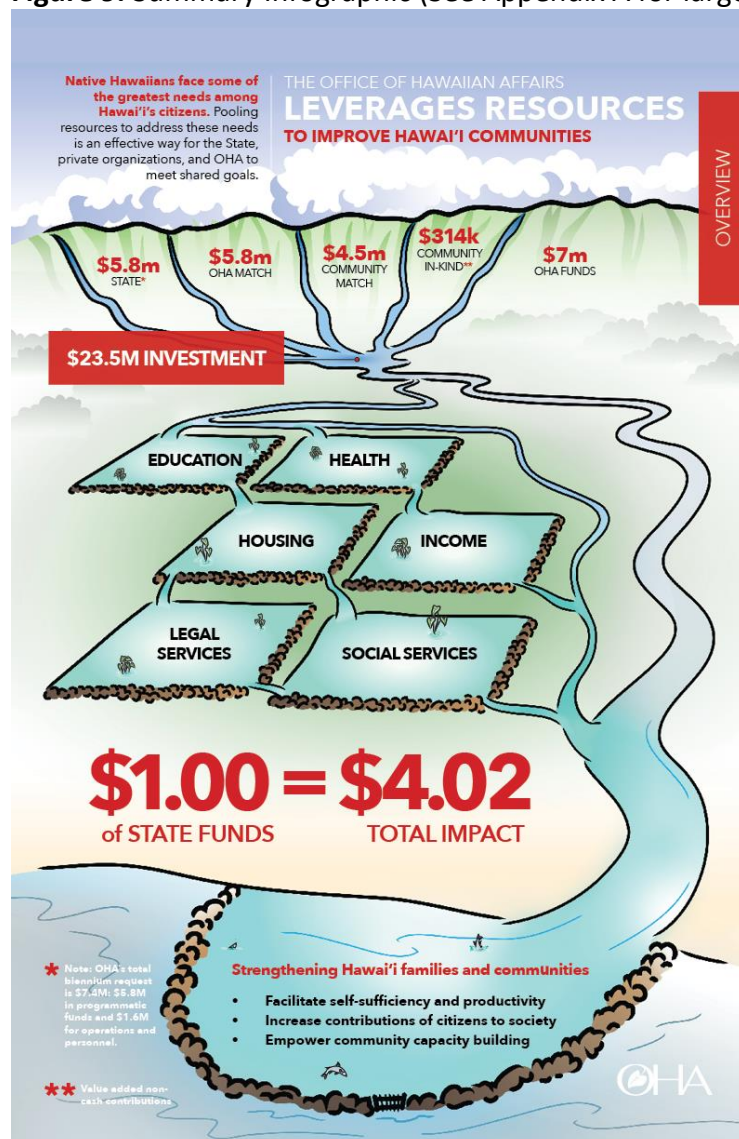
**Figure 8.** Estimated Native Hawaiians Served in FB 16/17 with State and OHA Funding

Social Services	Legal Services	Education	Health	Housing	Income	Total Est. Native Hawai- ians Served
5,000 less NHs provided information and referral services	850 inquiries gone unaddressed	1,000 less NHs enrolled in after-school programs	1,300 NHs not completing an Individual Treatment Plan	220 less NHs receiving rental assistance	450 less NHs developing individual development plans	
700 less NHs provided case management services	300 clients not represented	920 less testing readiness activities conducted	1,010 NHs not receiving patient education	Up to four less homes built	180 less NHs pursuing 2-year degrees or short term certificates	
500 less NHs provided information and emergency financial assistance		140 less NHs receiving assistance to meet or exceeded Reading testing standards	660 less NHs improving their dietary eating habits	130 less NHs participating in IDA savings for housing	90 NHs not earning a short-term certificates	
550 less NHs provided financial literacy services		260 less NHs receiving assistance to meet or exceeded Math testing standards	300 NHs not reducing weight and their BMIs	120 less NHs obtaining stable rental housing	100 NHs not able to complete Employment Preparation/Job Readiness Training	
				360 NHs failing to receive financial training	70 less NHs attaining employment	
6,750	1,150	2,320	3,270	830	890	15,210

## Summary Infographic

In the quest to improve conditions for Native Hawaiians, OHA has been working closely with many community-based partners to bring new attention, needed resources and a strong policy voice to addressing urgent needs that are critical to steer the State in a desirable direction. OHA remains encouraged by visible signs of progress with helping Native Hawaiians and others improve their health; secure stable housing; improve skills in reading and math; improve their socioeconomic situation; make ends meet; and protect legal rights. In the months ahead, the immediate challenge will be maintaining some of this positive momentum. Strong demand remains for OHA grant money to help tackle these issues as community partners increasingly tailor marketable services to OHA priorities to meet critical needs across the State. These are the same community partners that have proved their value by enhancing OHA's efforts to play a strong role in creating a solid future for Native Hawaiians and all people of Hawai'i.

**Figure 9. Summary Infographic** (See Appendix A for larger image)



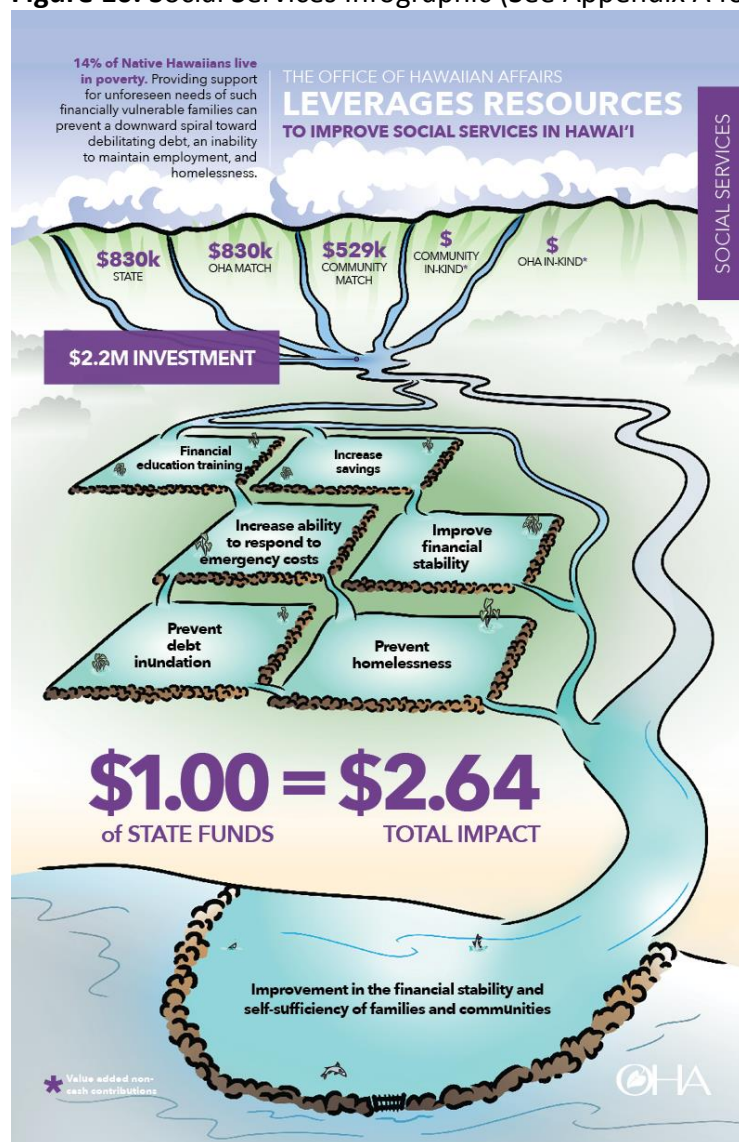
Moreover, OHA's grant program has improved its capacity as grantors by requiring projects to align with OHA's strategic priorities and by monitoring the grants to ensure adequate progress toward, specific, measurable outcomes. For that reason, it is with enthusiasm and hope that OHA is requesting \$5.8 million (\$7.4 m total) in programmatic State funds for the 2016-2017 fiscal years to use as leverage to heavily invest over the next two years in addressing six specific areas that are ultimately tied to helping statewide efforts to strengthen Hawai'i's families and communities.



## 1. Social services

OHA continues to work every day to help Native Hawaiians who are struggling financially. Research shows that 14 percent of Native Hawaiians live in poverty, a rate that is higher than other families statewide. Emergency situations, such as sudden unemployment, medical issues or family crises, place substantial strain on families in the lowest income brackets and can exacerbate their already dire financial circumstances. OHA's program offers such struggling Native Hawaiians relief when faced with unforeseen circumstances by providing funds to pay for rent and utilities, helping to ensure that they do not fall deeper into poverty, lose employment, or become homeless. Financial-literacy training remains a condition for this emergency assistance, which is part of a larger effort to encourage self-sufficiency.

**Figure 10.** Social Services Infographic (See Appendix A for larger image)



OHA is committed to matching \$830,000 from the State over the next two years and leveraging it with contributions from community partners to heavily invest in helping more Native Hawaiians make smart-money-management decisions meant to improve the economic well-being and self-sufficiency of their families.

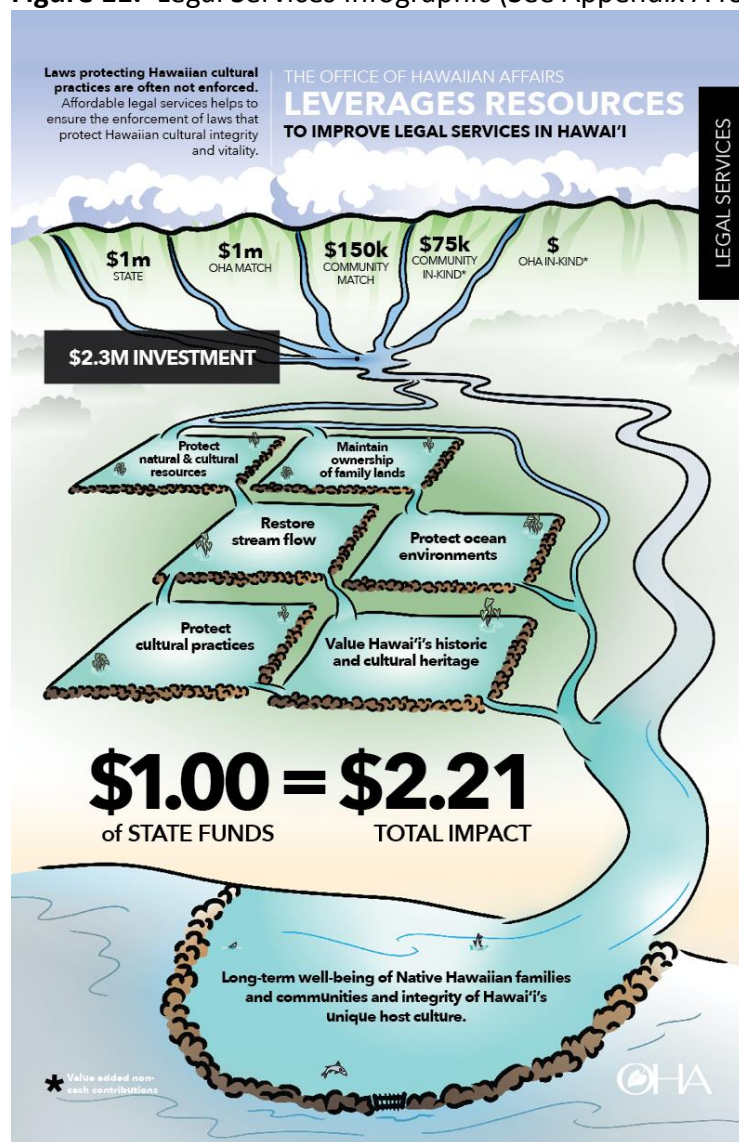
State support will result in the following impact to Native Hawaiians:

- 5,000 NHs provided information and referral services
- 700 NHs provided case management services
- 500 NHs provided information and emergency financial assistance
- 550 NHs provided financial literacy services

## 2. Legal services

Over the next two years, OHA will continue to address the need for legal services which has been and will continue to be critical for Native Hawaiian efforts to perpetuate their culture, maintain a connection to their ‘āina, their communities, and their ‘ohana. In passing laws that provide protection to cultural sites, the Legislature has found that the “historic and cultural heritage of the State is among its important assets” and has declared that it is the policy of the State to “provide leadership in preserving, restoring, and maintaining historic and cultural property ... in a spirit of stewardship and trusteeship for future generations.” OHA’s legal services ensure such critical State laws passed by the legislature are upheld.

**Figure 11.** Legal Services Infographic (See Appendix A for larger image)



OHA hopes to leverage \$1,040,800 in State funds over the next two years to invest in legal services meant to encourage improvement and consistency in upholding State laws that are in place to protect the interests of Native Hawaiians.

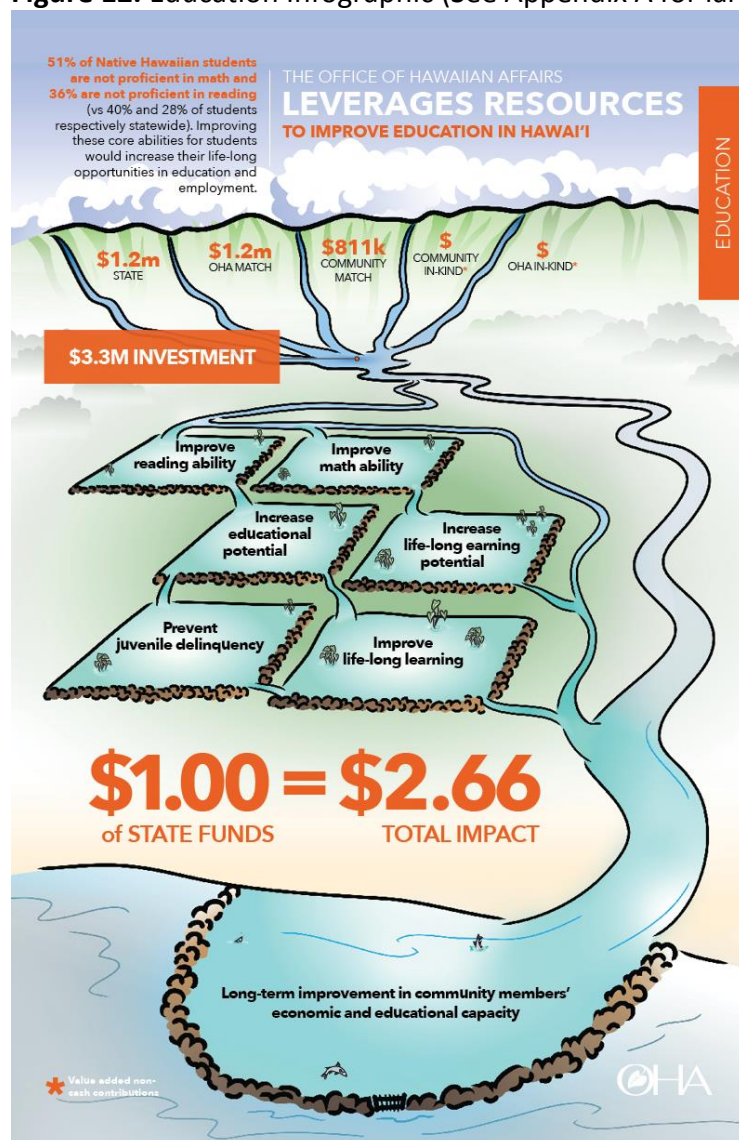
State support will result in the following impact to Native Hawaiians:

- 850 inquiries addressed
- 300 clients represented

### 3. Education

In the year ahead, OHA will be continuing its focus on closing the persistent achievement gap that separates Native Hawaiian students from their peers across the State. New data from the State Department of Education show that a wide gap remains in both reading and math scores. To reverse the trend, OHA is approaching with a sense of urgency its commitment to closing the achievement gaps that threaten to undermine the future success of Native Hawaiian students. A study by Honolulu Community College found that, in good times, Hawai'i needs up to 28,000 trained workers a year to fill new openings and retirement in trades and professions. It also found that the State's ability to fill those positions depends on the effectiveness of its public schools in teaching reading and math skills.

**Figure 12.** Education Infographic (See Appendix A for larger image)



OHA is hoping to partner with organizations to leverage an anticipated \$1,230,000 from the State and invest it over the next two years to address this issue, which is ultimately about creating a stronger future path for Native Hawaiian students. By leveraging funds from the State, OHA and its partners would bring an additional \$2 million to educational programs meant to help Native Hawaiian students graduate from high school with marketable skills to obtain well-paying jobs or pursue a college education.

State support will result in the following impact to Native Hawaiians:

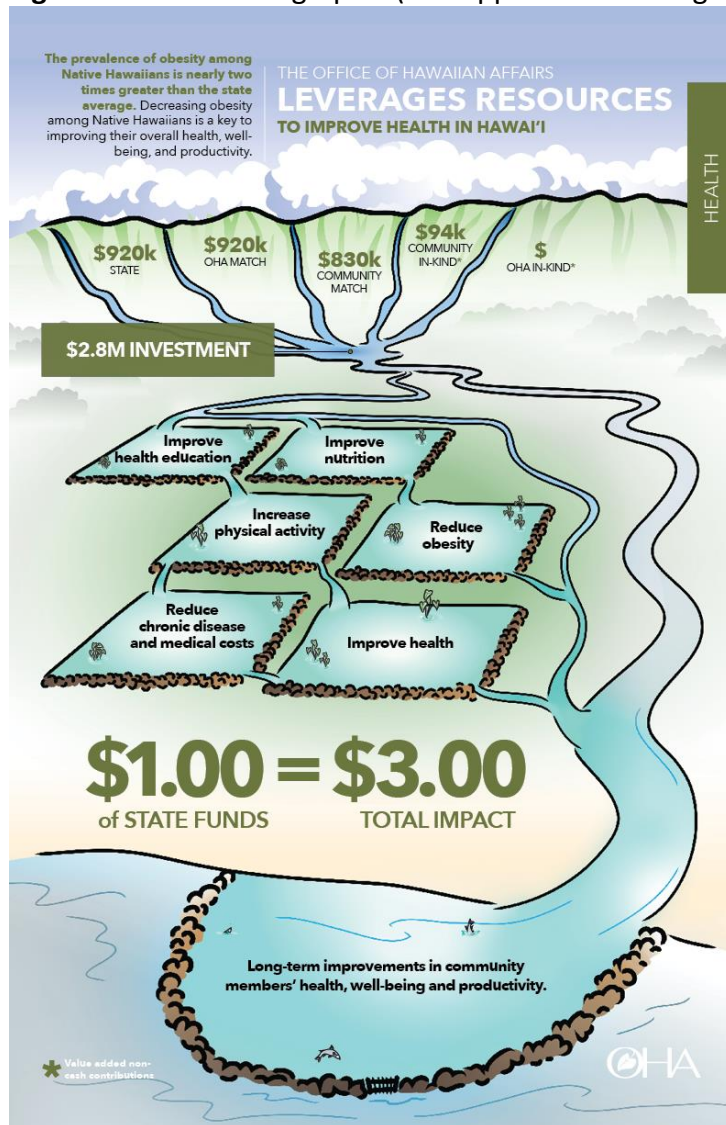
- 1,000 NHs enrolled in after-school programs
- 920 testing readiness activities conducted
- 140 NHs receiving assistance to meet or exceeded Reading testing standards
- 260 NHs receiving assistance to meet or exceeded Math testing standards



#### 4. Health

To help fight obesity in the state, OHA has been encouraging Native Hawaiians to eat healthier and become more physically active. Research shows that about 76.8 percent of Native Hawaiians are obese or overweight. Obesity associated diseases like diabetes, heart disease and cancer, further contribute to poor wellness and increasing healthcare costs. Already, obesity-related medical costs in Hawai'i are as much as \$412 million annually. To help keep healthcare costs from soaring over weight-related problems such as diabetes and heart disease, OHA has been working closely with a variety of community partners to heavily invest in helping Native Hawaiians live healthier.

**Figure 13.** Health Infographic (See Appendix A for larger image)



OHA's goal is to reduce the obesity rate among Native Hawaiians to 35 percent from 49.3 percent over the next four years. OHA has seen progress with more Native Hawaiians learning the importance of proper nutrition and regular exercise as a result of OHA's health grant initiatives. OHA hopes to match \$920,000 from the State over the next two years and leverage it with other funds to invest in curbing the obesity rate among Native Hawaiians and others, which may help improve their overall health and well-being.

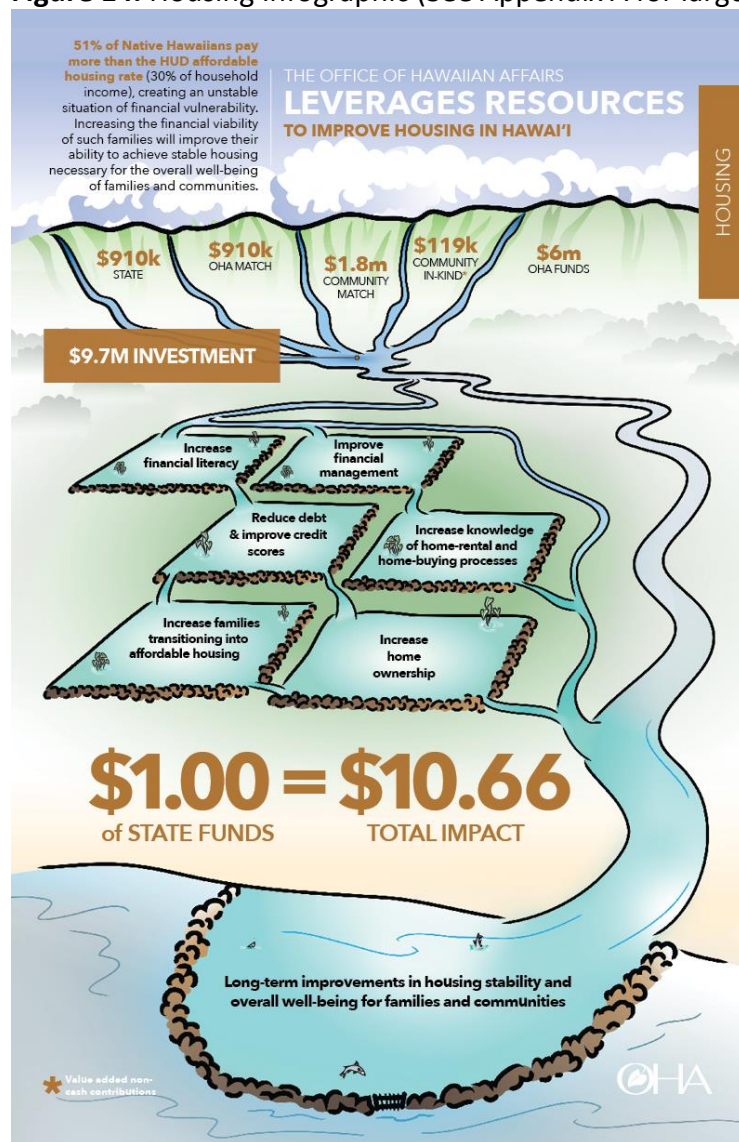
State support will result in the following impact to Native Hawaiians:

- 1,300 NHs completing an Individual Treatment Plan
- 1,010 NHs receiving patient education
- 660 NHs improving their dietary eating habits
- 300 NHs reducing weight and their BMIs

## 5. Housing

OHA continues to focus on helping more Native Hawaiians achieve housing stability. According to the latest available figures, about 57 percent of Native Hawaiians are homeowners. At the same time, more than half of Native Hawaiian renters, many of whom live in overcrowded situations to reduce rental payments, live in homes they are struggling to afford. In addition to being cost burdened, Native Hawaiians also earn less per capita than the state average. In response, OHA has set its sights on leveraging \$910,000 from the state over the next two years to help lay important groundwork for increasing homeownership and building housing stability among renters within the Native Hawaiian community.

**Figure 14. Housing Infographic** (See Appendix A for larger image)



With the leverage from the State, OHA and community partners expect to be able to invest \$6.7 million into helping Native Hawaiians obtain affordable housing, become more creditworthy and better at managing finances, and increasing home ownership. OHA has seen real results through its past grantees that have successfully helped Native Hawaiian renters become more economically and housing stable across the State.

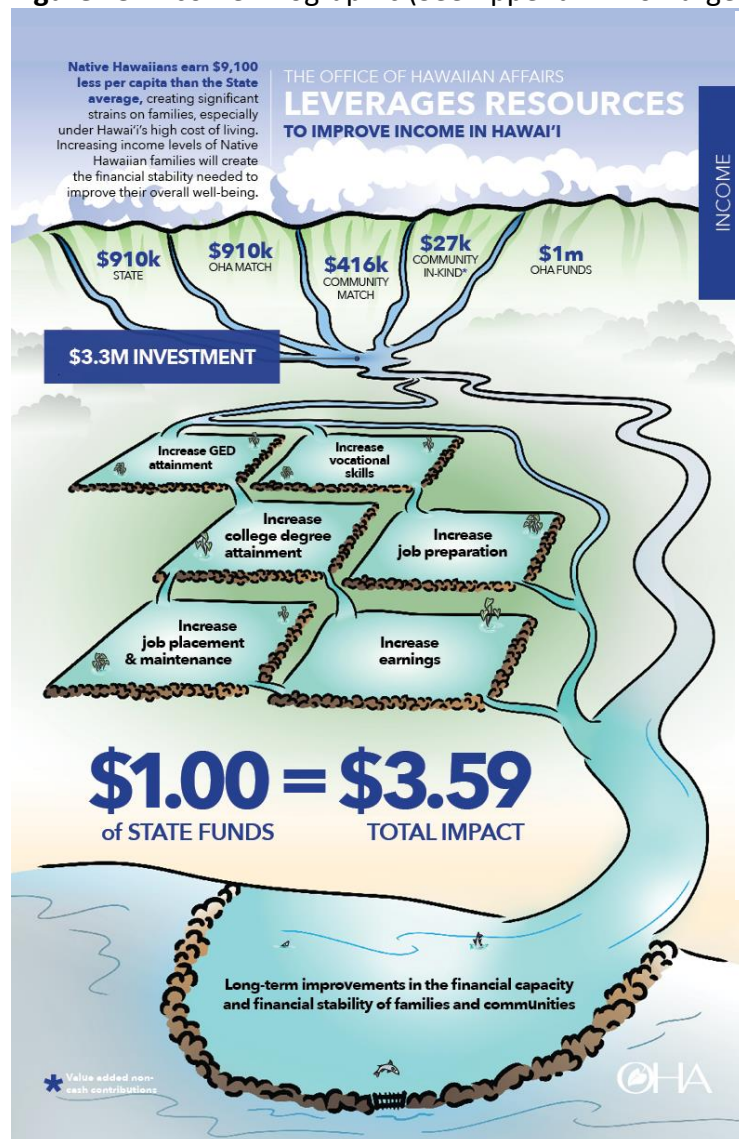
State support will result in the following impact to Native Hawaiians:

- 220 NHs receiving rental assistance
- Up to four homes built
- 130 NHs participating in IDA savings for housing
- 120 NHs obtaining stable rental housing
- 360 NHs receiving financial training

## 6. Income

To help ensure that employers have the skilled workers they need to serve communities across the state, OHA has been heavily supporting career-training programs aimed at getting a higher percentage of Native Hawaiians better ready for Hawai'i's workforce. Research shows that Native Hawaiians participate in the labor force at higher rates than the state average (65 percent v 61 percent), yet they earn \$9,100 per capita less than the state average and the unemployment rate among Native Hawaiians has nearly doubled to 10 percent over the past decade. At the same time, Hawai'i needs about 28,000 trained workers a year to fill new openings and retirement in trades and professions. But only 14,000 students a year graduate from the state's public and private high schools and many graduates are not ready for college or skilled employment because they lack basic skills in math and reading.

**Figure 15.** Income Infographic (See Appendix A for larger image)



With the help of various community partners and the State, OHA is prepared to heavily invest over the next two years in helping create a pipeline of new workers with GED diplomas, college degrees and/or critical job skills to obtain well-paying jobs that can support families.

State support will result in the following impact to Native Hawaiians:

- 450 NHs developing individual development plans
- 180 NHs pursuing 2-year degrees or short term certificates
- 90 NHs earning a short-term certificates
- 100 NHs able to complete Employment Preparation/Job Readiness Training
- 70 NHs attaining employment

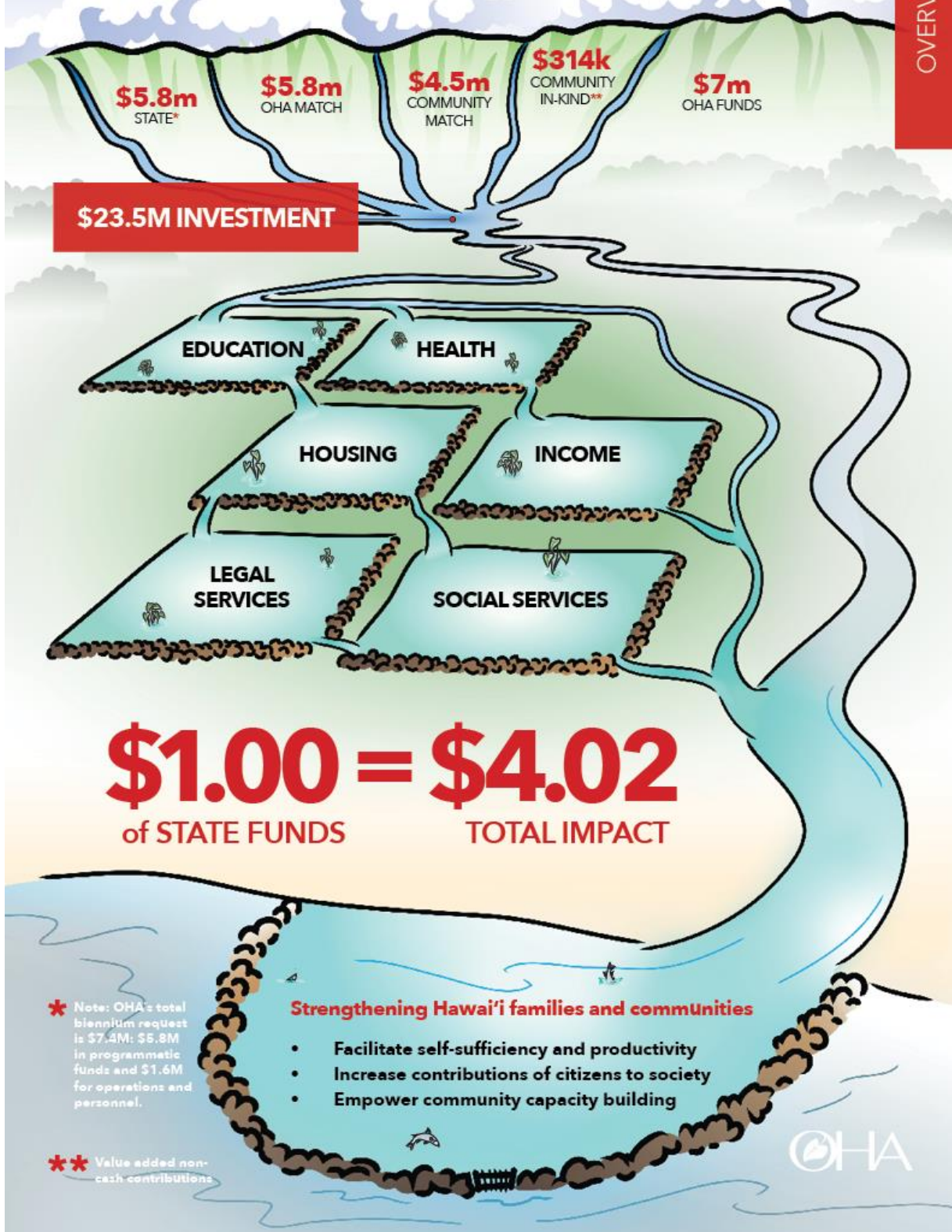
# Appendix A



Native Hawaiians face some of the greatest needs among Hawai'i's citizens. Pooling resources to address these needs is an effective way for the State, private organizations, and OHA to meet shared goals.

## THE OFFICE OF HAWAIIAN AFFAIRS LEVERAGES RESOURCES TO IMPROVE HAWAI'I COMMUNITIES

OVERVIEW



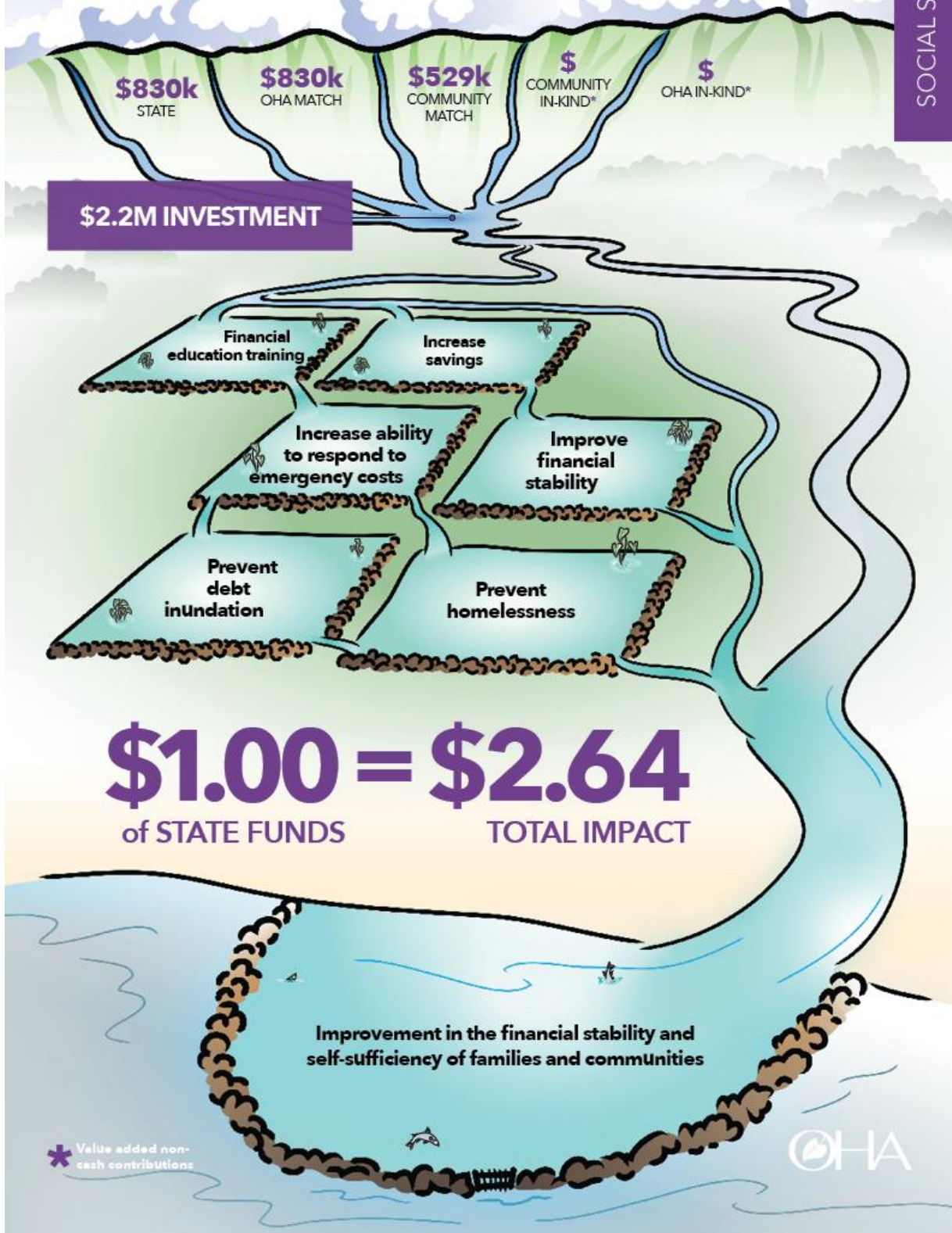


**14% of Native Hawaiians live in poverty.** Providing support for unforeseen needs of such financially vulnerable families can prevent a downward spiral toward debilitating debt, an inability to maintain employment, and homelessness.

THE OFFICE OF HAWAIIAN AFFAIRS

## LEVERAGES RESOURCES TO IMPROVE SOCIAL SERVICES IN HAWAI'I

SOCIAL SERVICES

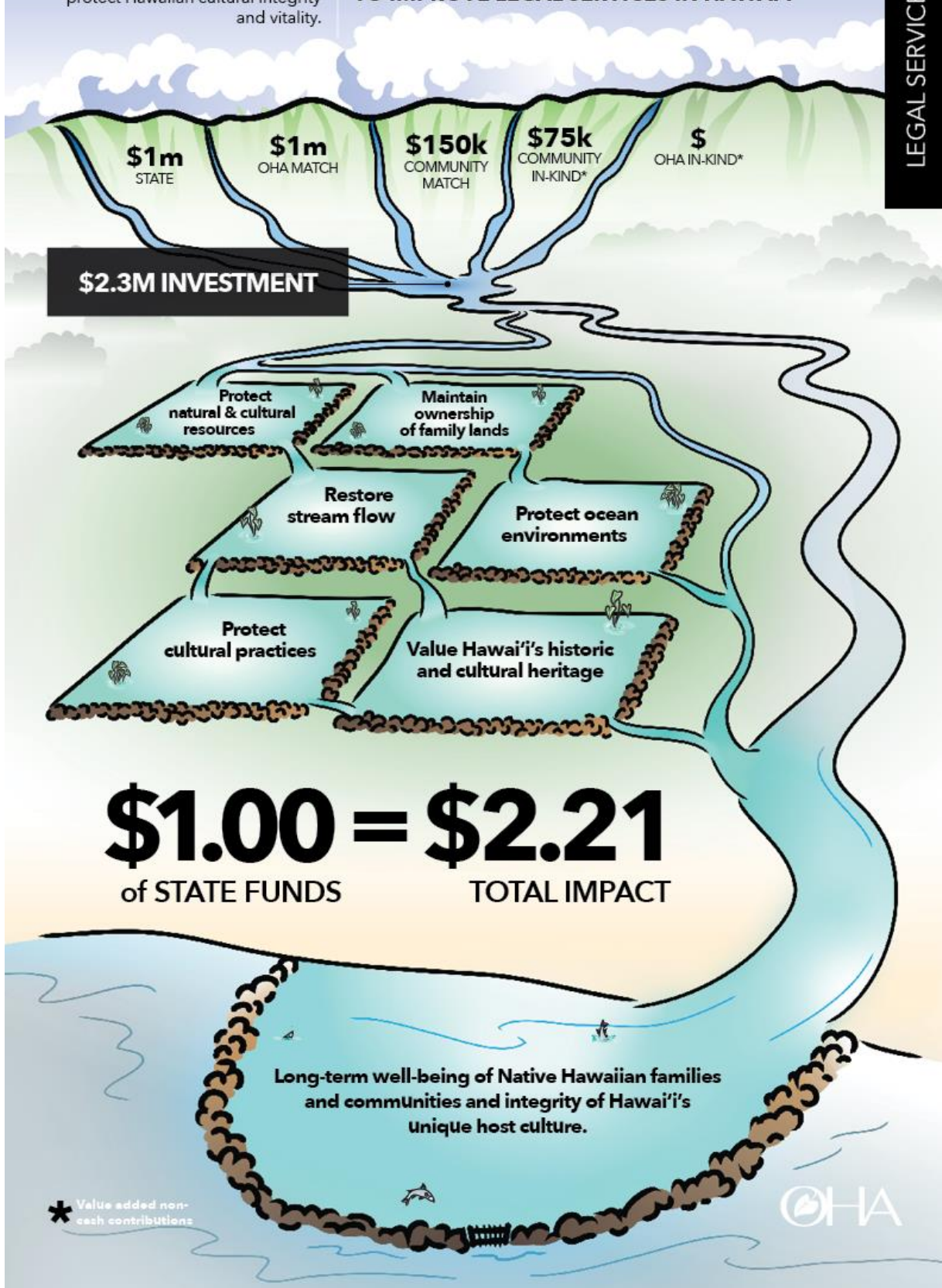


Laws protecting Hawaiian cultural practices are often not enforced. Affordable legal services helps to ensure the enforcement of laws that protect Hawaiian cultural integrity and vitality.

THE OFFICE OF HAWAIIAN AFFAIRS

## LEVERAGES RESOURCES TO IMPROVE LEGAL SERVICES IN HAWAI'I

LEGAL SERVICES

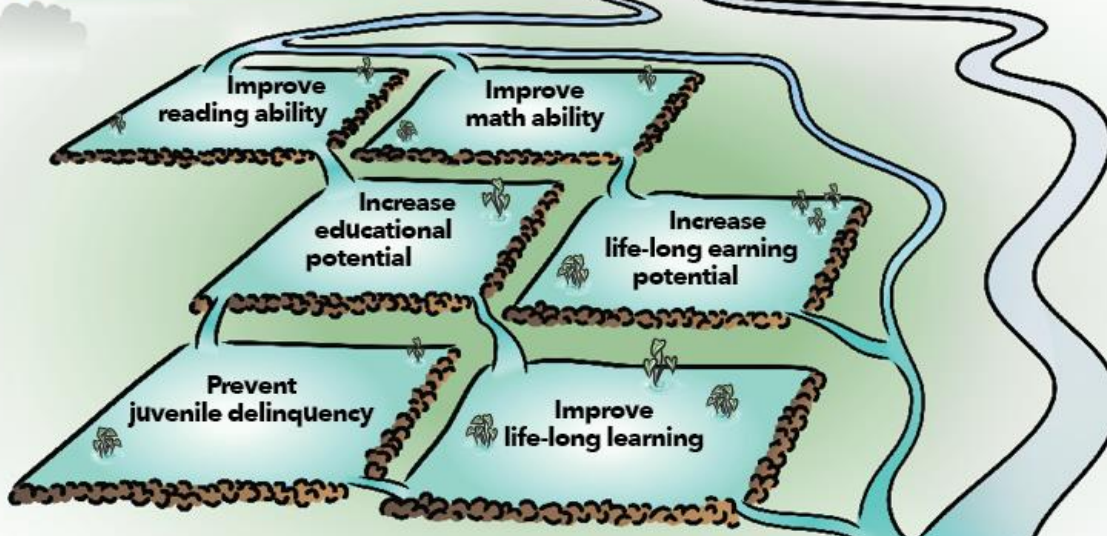




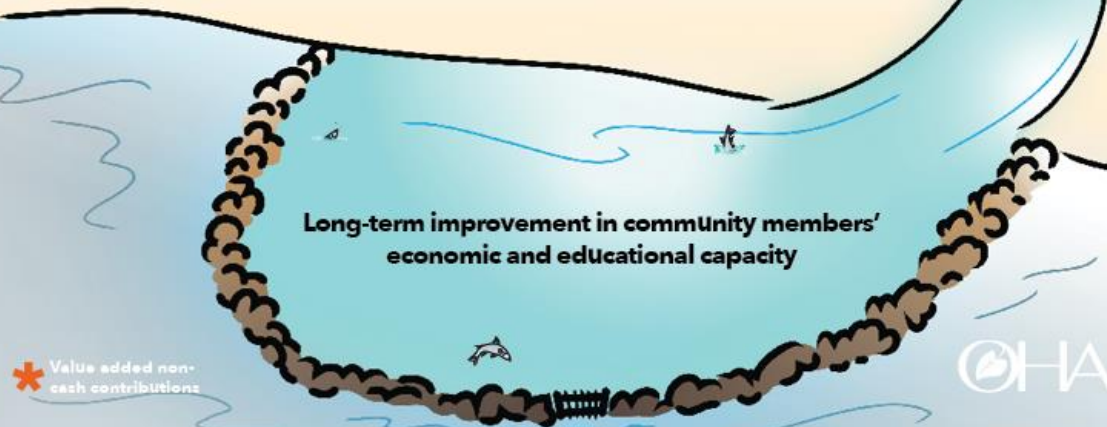
51% of Native Hawaiian students are not proficient in math and 36% are not proficient in reading (vs 40% and 28% of students respectively statewide). Improving these core abilities for students would increase their life-long opportunities in education and employment.

THE OFFICE OF HAWAIIAN AFFAIRS  
**LEVERAGES RESOURCES**  
TO IMPROVE EDUCATION IN HAWAII

EDUCATION



**\$1.00 = \$2.66**  
of STATE FUNDS      TOTAL IMPACT



\* Value added non-cash contributions

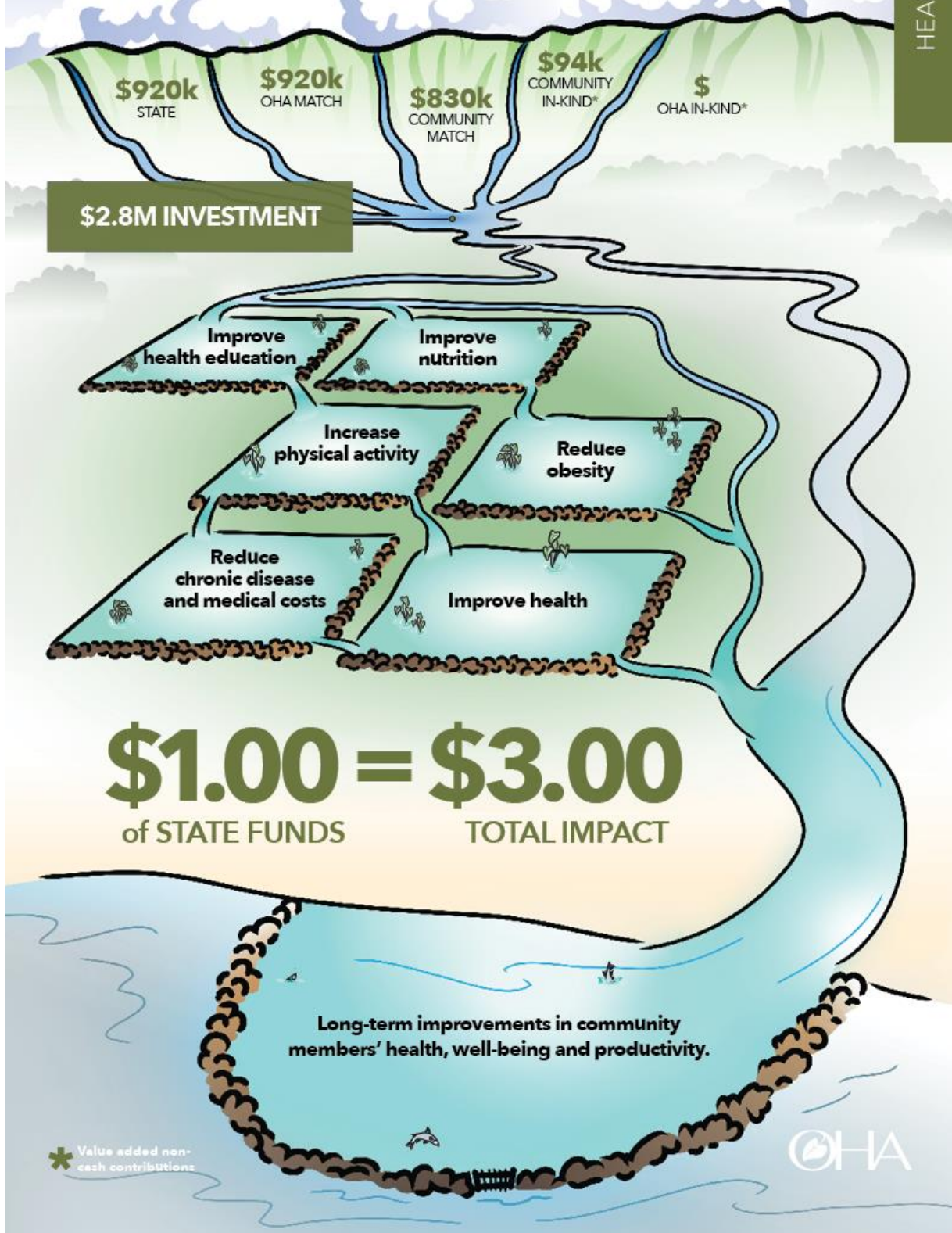


The prevalence of obesity among Native Hawaiians is nearly two times greater than the state average. Decreasing obesity among Native Hawaiians is a key to improving their overall health, well-being, and productivity.

THE OFFICE OF HAWAIIAN AFFAIRS

## LEVERAGES RESOURCES TO IMPROVE HEALTH IN HAWAI'I

HEALTH



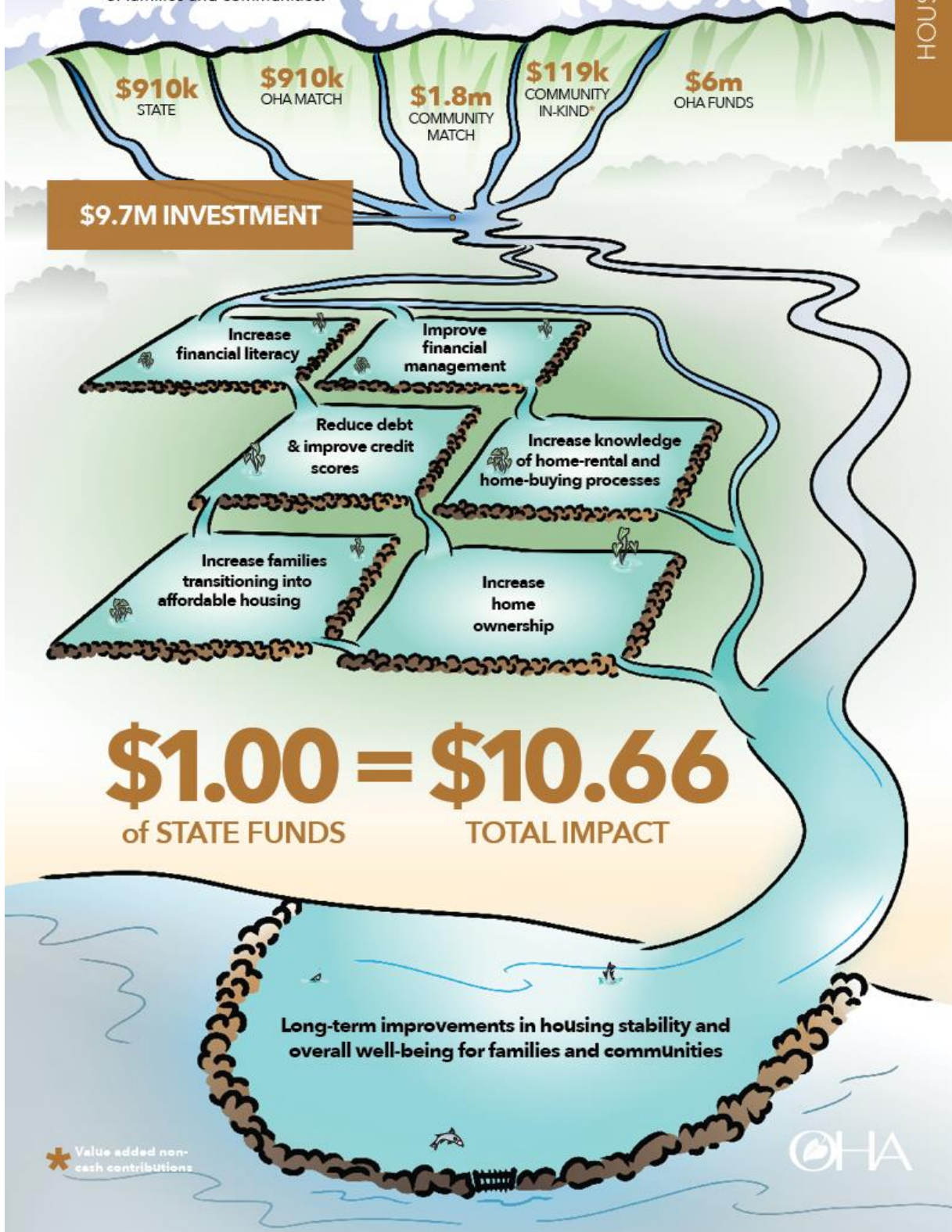


51% of Native Hawaiians pay more than the HUD affordable housing rate (30% of household income), creating an unstable situation of financial vulnerability. Increasing the financial viability of such families will improve their ability to achieve stable housing necessary for the overall well-being of families and communities.

THE OFFICE OF HAWAIIAN AFFAIRS

## LEVERAGES RESOURCES TO IMPROVE HOUSING IN HAWAII

HOUSING

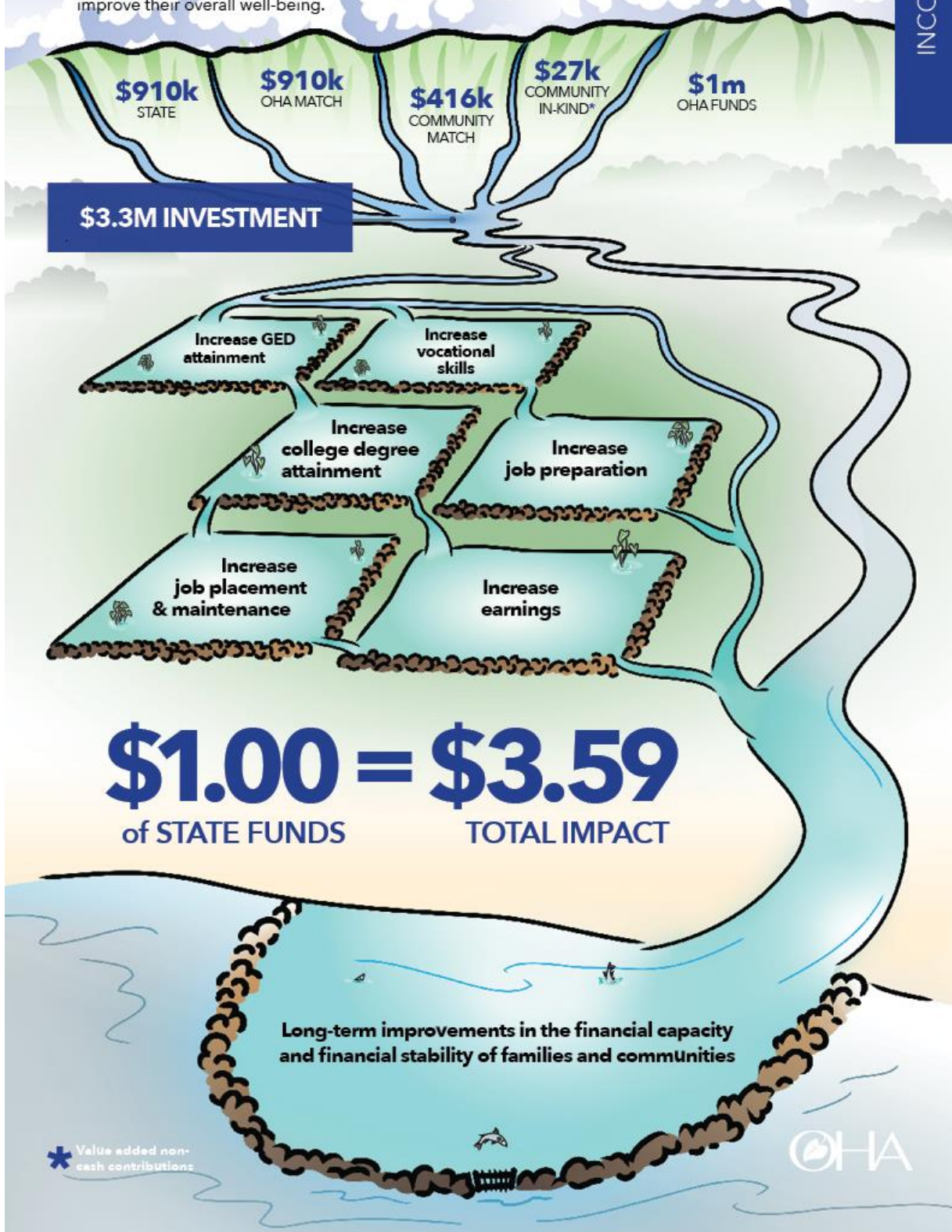


Native Hawaiians earn \$9,100 less per capita than the State average, creating significant strains on families, especially under Hawai'i's high cost of living. Increasing income levels of Native Hawaiian families will create the financial stability needed to improve their overall well-being.

THE OFFICE OF HAWAIIAN AFFAIRS

## LEVERAGES RESOURCES TO IMPROVE INCOME IN HAWAII

INCOME





# Appendix B

## OHA REPORT CARD

To improve the conditions of Native Hawaiians, we are focused on six key strategic priorities. They are:

### 'Āina

Our focus on protecting the 'āina is part of a larger effort to honor the past while preparing for the future. As the state's 13th-largest landowner, we manage more than 27,000 acres of lands set aside largely for cultural and agricultural endeavors. To maintain the connection to the past and a viable land base, we're taking steps to ensure responsible stewardship of Ka Pae 'Āina O Hawai'i.

### Culture

Our focus on preserving Hawaiian culture remains among our top priorities. For that reason, we have been devoting time and energy to identifying opportunities that can bring significant value to our efforts to increase the number of Native Hawaiians who appreciate their history and culture. The initiative also calls for increasing Native Hawaiian participation in cultural activities.

### Economic Self-Sufficiency

Our focus on improving economic self-sufficiency centers on two critical goals: increasing homeownership and housing stability among renters within the Native Hawaiian community; and increasing Native Hawaiian family income. Called the Ho'okahua Waiwai initiative, this effort is ultimately about helping Native Hawaiian families become more financially viable.

### Education

Our focus on improving education in the Hawaiian community ranks nears the top of our priorities. The two primary goals for Hawaiian education involve increasing the percentage of Native Hawaiian students who meet or exceed reading and math standards in middle school as well as high school, and boosting the graduation rate at the post-secondary level.

### Health

Our focus on the health of Native Hawaiians reflects a top priority to reduce their obesity rate, which is due to health concerns associated with a lack of physical activity and proper nutrition. Our research shows that 75 percent of Native Hawaiians are at risk of being obese or overweight. We are working towards significantly reducing the obesity rate among Native Hawaiians by 2018.

### Governance

A key goal of our governance initiative is to facilitate a process that would give Hawaiians the opportunity to create a governing entity that would define Native Hawaiians as a political rather than racial group. The benefit of such a Governing Entity would be its ability to provide Native Hawaiians with greater control over their destiny as they move toward self-determination and self-sufficiency.

## IN 2010, THE OFFICE OF HAWAIIAN AFFAIRS

adopted a Strategic Plan to address six priority areas. The plan was adopted to run from 2010 to 2018. OHA presents a brief snapshot of what we're doing in each area.

### HO'OKAHUA WAIWAI Economic Self-Sufficiency

#### Median Family Income

In 2013, the Native Hawaiian median family income increased to \$72,762, which is equal to 90.6% of the statewide median and represents a growth of 1.8 percentage points from the start of OHA's strategic plan in 2010.

#### Homeownership

The Native Hawaiian owner-occupancy rate has steadily progressed for four consecutive years, reaching 38,936 or 56.7% of all housing units owner-occupied by Native Hawaiians in 2013.

**216** Number of Native Hawaiians who completed financial education training in a quest to gain housing in FY 2014.

**54** Number of Native Hawaiians who completed Employment Preparation/Job Readiness Training in FY 2014.

**\$3,840** Average increase in per-capita income of Native Hawaiian business owners after receiving an OHA Mālama Business Loan.



### HO'ONA'UAUO Education

#### Hawai'i State Assessments

In school year 2012-2013, Native Hawaiian students who participated in the Hawai'i State Assessments tested at 64% proficiency in reading and 49% proficiency in math, compared to 2009-2010 figures of 55% in reading and 32% in math.

#### Post-Secondary Degrees and Certificates Earned

In Fiscal Year 2014, Native Hawaiians in the UH System earned 2,285 degrees and certificates, an 89% cumulative increase from the baseline year of 2009, for a total of 10,363 degrees and certificates earned between 2009 and 2014.

**642** Number of Native Hawaiian students who received help to raise proficiency in Reading and Math standardized tests in FY 2014.

**\$550,000**

The total amount in scholarships given to 263 Native Hawaiian college students in FY 2014.

**17** The number of Hawaiian-focused charter schools supported in part by a \$1.5 million grant from OHA.



### MAULI OLA Health

#### Obesity:

The percentage of obese Native Hawaiians has decreased from 44.4% in 2012 to 39.0% in 2013.

#### Substance Abuse

The percentage of Native Hawaiian admissions for substance abuse treatment services decreased from 44.8% in 2010 to 43.1% in 2012.

#### Prenatal Care

The percentage of resident Native Hawaiian mothers receiving prenatal care in the first trimester increased from 79.0% in 2011 to 82.0% in 2012, meeting the U.S. Healthy People 2020 objective of 77.9%.

**227** Number of Native Hawaiians who achieved reduction in weight in FY 2014 aided by OHA-funded programs.

Number of Native Hawaiian women who received prenatal services in the same year.

**496**





**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS**  
560 N. NIMITZ HWY., SUITE 200  
HONOLULU, HAWAII 96817

January 22, 2015

Representative Sylvia Luke, Chair  
House Committee on Finance  
State Capitol  
Room 306  
415 South Beretania Street  
Honolulu, Hawai'i 96813  
Attn: Alberto Vargas

Senator Jill N. Tokuda, Chair  
Senate Committee on Ways and Means  
State Capitol  
Room 207  
415 South Beretania Street  
Honolulu, Hawai'i 96813  
Attn: Kendra Oishi

Dear Chair Luke and Chair Tokuda,

Pursuant to questions posed by your Committees at OHA's budget briefing meeting on January 6, 2015, we hereby provide you with the following responses to share with your Committee members.

**Question 1. Clarify grants that UHWO received.**

**Response.**

It is our understanding that the University of Hawai'i received \$69 million for Native Hawaiian education including \$14.2 million allocated to UH West O'ahu. Title III funds (Native Hawaiian serving institutions grant), as they are referred to, helps eligible institutions of higher education increase their self-sufficiency and expand their capacity to serve low-income students by providing funds to improve and strengthen the academic quality, institutional management, and fiscal stability of eligible institutions. These funds are for specific projects such as health and wellness initiatives, development of nursing pathway and education pathway programs, and early college high school expansion. None of the funds can be targeted for financial aid for individual students. The grants are to "strengthen the institution" through programs and services to better the institution for Native Hawaiians; in doing so, all students will benefit.



**Question 2. Which UHWO, DOE, and after school programs focus on reading and math test scores?****Response.**

It is also our understanding that there are currently no after school programs being supported through Title III funds. However, Table 1 details current OHA FB 14/15 grants in support of after school programs focusing on increasing reading and math test scores among Native Hawaiian students.

**Table 1. (larger image as Attachment 1)**

**FB 14/15 After School Programs Funded through State General Funds (A) and OHA Matching Funds (T)**

Payee	Grant Term	Funding Source - A	Funding Source - T	Description
<b>EDUCATION:</b>				
Goodwill Industries of Hawaii, Inc.	07/01/13 – 06/30/15	\$62,500	\$62,500	To support enrolled students in HIDOE system by offering tutoring and remediation in math and reading after school hours. For each year FY14 and FY15: 48 Native Hawaiians out of 72 who completed will meet or exceed standard reading testing. 48 Native Hawaiians out of 72 who completed will meet or exceed standard math testing.
After-School All-Stars Hawaii	07/01/13 – 06/30/15	\$37,500	\$37,500	To target Native Hawaiian students in 2 middle schools, Nanakuli High and Intermediate and Waianae Intermediate. Total # of Native Hawaiian students who will meet or exceed standard-based reading testing: FY14 -183 and FY15-not yet available. Total # of Native Hawaiian students who will meet or exceed standard-based math testing: FY14 - 115 and FY15-not yet available.
Boys & Girls Club of Maui, Inc.	07/01/13 – 06/30/15	\$50,000	\$50,000	To help develop good study habits for students (ages 11-17) targeting a total of 336 youth members through the Power Hour homework assistance program. Total # of Native Hawaiian students who will meet or exceed standard-based reading testing: 158 NHs for FY14 and 173 NHs for FY15; Total # of Native Hawaiian students who will meet or exceed standard-based math testing: 158 NHs for FY14 and 173 NHs for FY15.

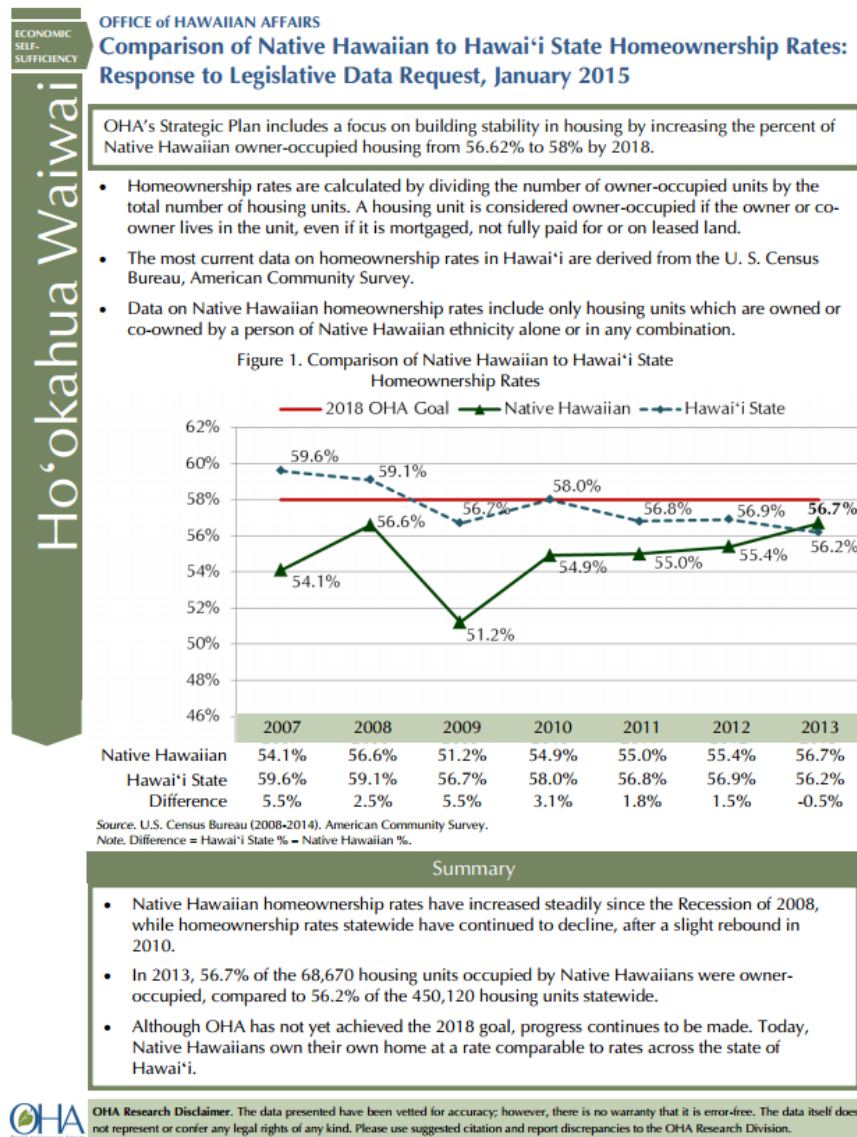
By prioritizing educational improvement programs to help Native Hawaiians meet or exceed educational standards, OHA hopes to substantially increase the amount of funding for after school grants in FY 16 and FY 17.

**Question 3. Clarify details of home ownership ratio for Native Hawaiians. Difference in reporting was noted as the reason for different statistics for the State and Native Hawaiians.**

**Response.**

Typically, homeownership is a sign of economic prosperity and security, but for Native Hawaiians, homeownership is unique as it also provides the opportunity to reaffirm and perpetuate ancestral ties to one's kulaiwi (homeland). OHA continues to focus on helping more Native Hawaiians achieve housing stability. According to the latest available figures, only 56.7% of housing units occupied by Native Hawaiians are owner-occupied. At the same time, more than half of Native Hawaiian renters, many of whom live in overcrowded situations to reduce rental payments, live in homes they are struggling to afford.

**Figure 1. (larger image as Attachment 2)**



The owner-occupancy rate is calculated by dividing the number of owner-occupied units by the total number of units.

In 2013, 56.7% of the 68,670 housing units occupied by Native Hawaiians were owner-occupied, compared to 56.2% of the 450,120 housing units statewide.

Although Native Hawaiians compare favorably to the State average (as depicted in Figure 1 at left), OHA has not yet achieved its strategic goal and therefore continues its efforts in achieving this strategic result. Also, it is important to note that the average Native Hawaiian household size is larger than the state average.

#### Question 4. Native Hawaiian business ownership – do you have details on this information?

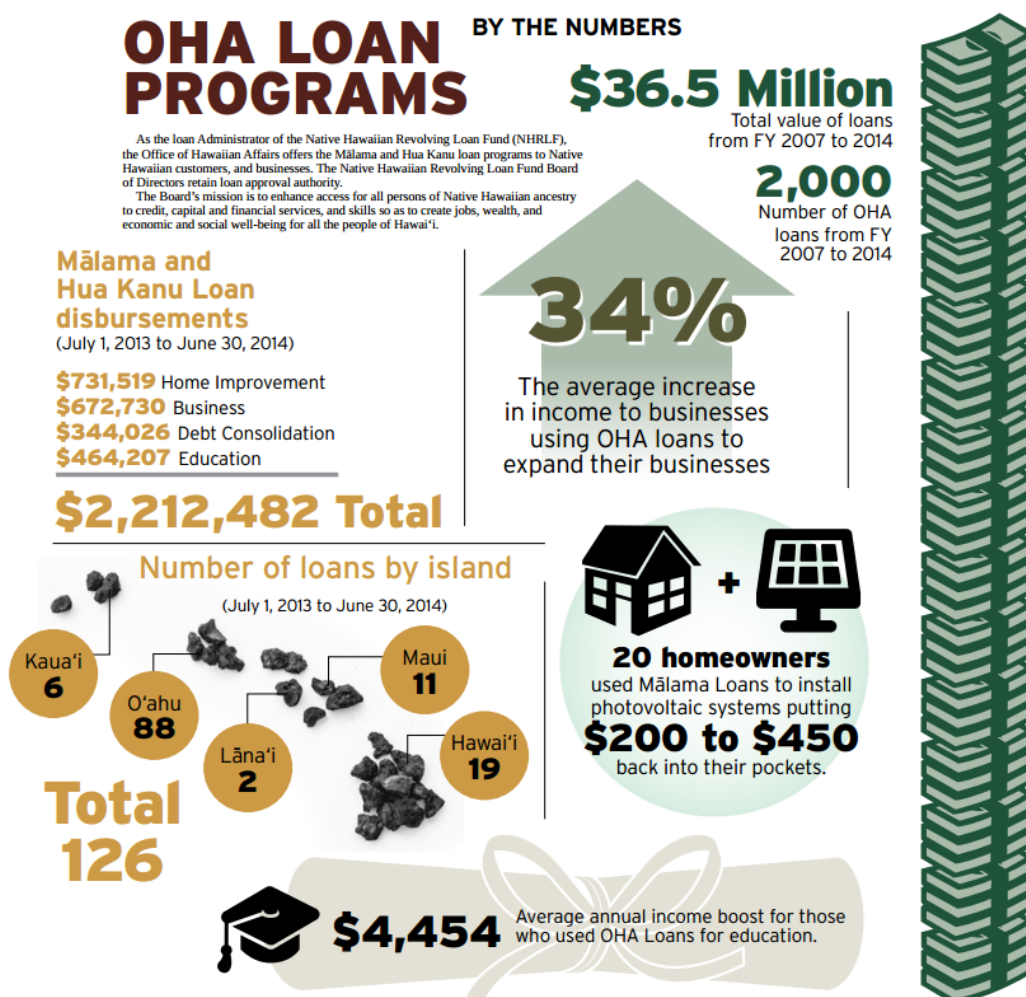
##### Response.

As Administrator of the Native Hawaiian Revolving Loan Fund (NHRLF), OHA conducted an outcomes evaluation survey in 2013 and sought responses from beneficiaries who received an OHA Mālama Loan between FY 09 and FY 12. Among other findings, the evaluation concluded a 34% increase in business income as a result of receiving a loan. It is important to note that the evaluation was based upon self-reported revenue figures for the year prior to receiving the OHA Mālama loan and then for the calendar year 2012.

Moving forward, OHA will conduct periodic surveys to continue monitoring the effectiveness of the loan program and to help ensure we continue in our commitment to assist our loan recipients to improve economically. Again, other notable performance of the NHRLF is summarized in OHA's 2014 Annual Report on page 10 as depicted in Figure 2 below.

Figure 2.

Office of Hawaiian Affairs | Ka'a ka 'ili'ili i ke ala kīlāi i nā lāla o ka nāhele

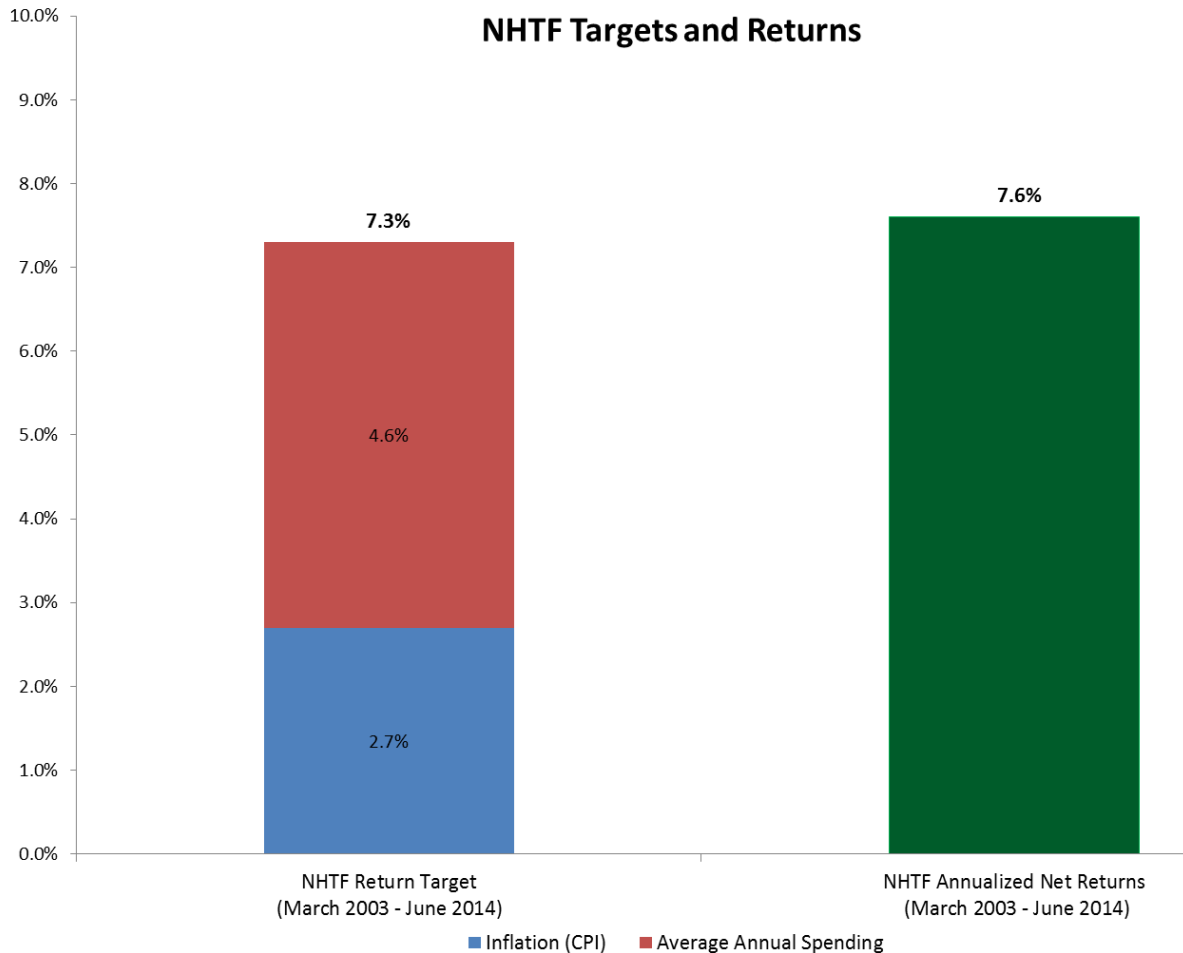


**Question 5. Trust fund investments – what percentage return on investments are you getting? Can you provide more information?**

**Response:**

The long term goal of OHA’s Native Hawaiian Trust Fund (NHTF) is to earn a rate of return that exceeds both OHA’s annual spending and inflation as measured by the Consumer Price Index. This return target ensures that the NHTF will be able to maintain purchasing power and provide the same financial benefits to both current and future generations. As seen in Figure 3 below, during the period of March 2003 to June 2014 inflation averaged 2.7% per year and spending averaged 4.6% per year for a total return target of 7.3%. During this 11 year period, the NHTF exceeded its return target and reported a net annualized return of 7.6%.

**Figure 3.**



Furthermore, Representative Ward compared OHA to the Hawai‘i Employees’ Retirement System (ERS). Although we would hesitate to compare the NHTF’s \$360+ million investment portfolio to ERS’ \$14 billion pension plan, we will provide the following comparison; in FY 14, the ERS reported a 17.44% gross return while OHA’s NHTF reported a 16.12% gross return.

**Question 6. Table 12 – non-general fund program totals. Please provide detailed list of non-general fund items, including trust fund totals.**

**Response.**

Based upon the instructions contained in your December 5, 2014 memorandum, OHA's Board of Trustees and its Administration believe that we have fully complied with the intent of your request to list "all non-general funds under your department." Since OHA's general funds budget request is submitted in conjunction with the *Annual Report* requirement stated under HRS Section 10-5, OHA interprets "all non-general funds" to mean all funding in which the State has decision-making authority over. Therefore, OHA provides information via our budget submission and related budget testimony relating to **MOF "A"** and **MOF "T"** *only* since those are the only funds authorized by the State of Hawai'i via an Appropriation Warrant. All other funding is under the direct authority of OHA's Board of Trustees.

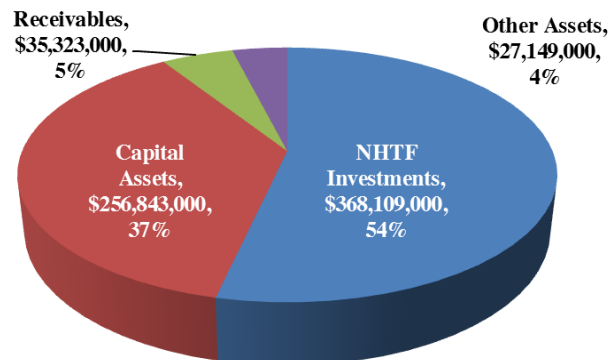
Since OHA's mandate requires it to improve the conditions for all Native Hawaiians, it seeks to partner with the State via its request for general funds as part of its fiduciary responsibilities; inherent in public office including compliance with the State regulatory structure. OHA is required to comply with the State agency regulatory structure including HRS Chapters 103D and 103F (Procurement Code), Chapter 84 (Standards of Conduct), Chapter 92 (Public Meetings), Chapter 92F (Information Practices), the myriad of personnel and labor laws.

Therefore, we are happy to provide the following information which we feel provides your Committees with relevant information specific to our unique state structure. Furthermore, we believe this information is more meaningful to you as Legislators in understanding the various funding sources available on an annual basis for spending by our Office.

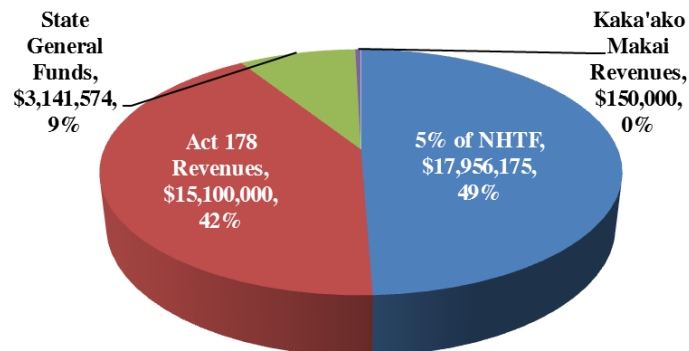
Consistent with best practices among foundations and endowments, and with the purpose of ensuring the continued viability of its NHTF, OHA's Board of Trustees adopted its first Spending Policy in 2003. Since spending policies are primarily designed to hedge against market fluctuations, OHA's Spending Policy limits is annual spending to help ensure sufficient resources are available for future generations. The annual withdrawal from the NHTF is determined by OHA's Spending Policy as no more than 5% of the 20-quarter rolling average market value of the investment portfolio.

FY 14 is used as an example to depict OHA's net assets (Figure 4) and core operating budget (Figure 5) based upon OHA's Spending Policy.

**Figure 4.**  
**FY 14 Net Assets (unaudited)**  
**= \$687,424,000**



**Figure 5.**  
**FY 14 Funding Sources for Core Operations**  
**= \$36,347,749**



In addition, Table 3 below was included in a response to Representative Bertrand Kobayashi dated January 20, 2015 which further explains the various funding sources available on an annual basis for spending by our Office.

**Table 3.**

**OHA's FY 15 Funding Sources and Expenditures**

Description	Core Operations [A]				Commercial Properties [F]	Legacy Property [H]	Special Programs [J]		Total
	State General Funds [B]	Act 178 Revenues [C]	5% of NHTF [D]	10% of Kakaako Makai [E]	90% of Kakaako Makai [G]	Palauea Cultural Preserve [I]	Federal Programs [K]	Other Funding Sources [L]	
Funding Sources	\$ 2,741,574	\$ 15,100,000	\$ 17,110,928	\$ 265,887	\$ 2,392,983	\$ 321,611	\$ 1,227,253	\$ 818,998	\$ 39,979,234
Carryover Surplus					1,174,200				1,174,200
Expenses									
Personnel	\$ 520,300	\$ 7,690,445	\$ 5,710,845		\$ 206,500		\$ 664,206		\$ 14,792,296
Program			2,021,860		21,000		42,201		2,085,061
Contracts	1,189,400		6,407,356		1,555,000		415,381		9,567,137
Grants	735,000	7,409,555		265,887		76,500			8,486,942
Travel			616,560		19,000		28,550		664,110
Equipment			516,950		428,500		4,366		949,816
Overhead	296,874		1,837,357		210,340		72,549		2,417,120
OHA Subsidiaries								818,998	818,998
Total Expenses:	\$ 2,741,574	\$ 15,100,000	\$ 17,110,928	\$ 265,887	\$ 2,440,340	\$ 76,500	\$ 1,227,253	\$ 818,998	\$ 39,781,480
[M] Surplus/(Deficit):	\$ -	\$ -	\$ -	\$ -	\$ 1,126,843	\$ 245,111	\$ -	\$ -	\$ 1,371,954

[A] OHA's basic operating budget consisting of payroll, operations, and program expenditures

[B] State general funds appropriations determined by the legislature during each Biennium

[C] Act 178, SLH 2006, revenues received per year

[D] OHA's Native Hawaiian Trust Fund's (NHTF) Spending Policy limits annual spending to 5% of the fund's twenty-quarter (20-quarter) rolling average market value

[E] 10% of lease and other revenues generated from OHA-owned Kakaako Makai parcels are allocated towards its Community Grants Program

[F] Revenue-generating OHA-owned Kakaako Makai parcels

[G] Lease and other revenues generated from OHA-owned Kakaako Makai parcels

[H] Revenue-generating OHA-owned Legacy parcels

[I] .05% of each home sale in the area is deposited into the Palauea Management Fund to be used for the upkeep and long-term stewardship of this historical site

[J] Other funding sources available to OHA

[K] The amount of federal funding available each year is based on budgets submitted by OHA and approved by the respective grantors

[L] Other non-federal funding sources include its Hawaiian Projects fund, Hawaiian Rights fund, and repayments from its inactive OHA/DHHL Homesteader Loan Repayment

[M] Surplus carried forward to the next budget period and available to the originating parcel only

Chairs Sylvia Luke and Jill N. Tokuda

January 22, 2015

Page 8

We have included a copy of the full response to Representative Bertrand Kobayashi along with this response and ask that your Committee members review both OHA responses simultaneously.

In closing, OHA remains committed in defending our request for FB 16/17 State general funds as we continue on our quest to improve conditions for Native Hawaiians. In addition, OHA remains encouraged by visible signs of progress with helping Native Hawaiians and others improve their health; secure stable housing; improve skills in reading and math; improve their socioeconomic situation; make ends meet; and protect legal rights.

In the months ahead, the immediate challenge will be maintaining some of this positive momentum. Strong demand remains for OHA grant money to help tackle these issues as community partners increasingly tailor marketable services to OHA priorities to meet critical needs across the State. These are the same community partners that have proved their value by enhancing OHA's efforts to play a strong role in creating a solid future for Native Hawaiians and all people of Hawai'i.

Please feel free to contact me at 594-1999 should you have any questions or require additional information

‘O wau iho nō,

*Hawley Iona*

Hawley Iona

Chief Financial Officer

Ka Pou Kihi Kanaloa Wai

Attachments

**FB 14/15 After School Programs Funded through State General Funds (A) and OHA Matching Funds (T)**

<b>Payee</b>	<b>Grant Term</b>	<b>Funding Source - A</b>	<b>Funding Source - T</b>	<b>Description</b>
<b>EDUCATION:</b>				
Goodwill Industries of Hawaii, Inc.	07/01/13 – 06/30/15	\$62,500	\$62,500	To support enrolled students in HIDOE system by offering tutoring and remediation in math and reading after school hours. For each year FY14 and FY15: 48 Native Hawaiians out of 72 who completed will meet or exceed standard reading testing. 48 Native Hawaiians out of 72 who completed will meet or exceed standard math testing.
After-School All-Stars Hawaii	07/01/13 – 06/30/15	\$37,500	\$37,500	To target Native Hawaiian students in 2 middle schools, Nanakuli High and Intermediate and Waianae Intermediate. Total # of Native Hawaiian students who will meet or exceed standard-based reading testing: FY14 -183 and FY15-not yet available. Total # of Native Hawaiian students who will meet or exceed standard-based math testing: FY14 - 115 and FY15-not yet available.
Boys & Girls Club of Maui, Inc.	07/01/13 – 06/30/15	\$50,000	\$50,000	To help develop good study habits for students (ages 11-17) targeting a total of 336 youth members through the Power Hour homework assistance program. Total # of Native Hawaiian students who will meet or exceed standard-based reading testing: 158 NHs for FY14 and 173 NHs for FY15; Total # of Native Hawaiian students who will meet or exceed standard-based math testing: 158 NHs for FY14 and 173 NHs for FY15.



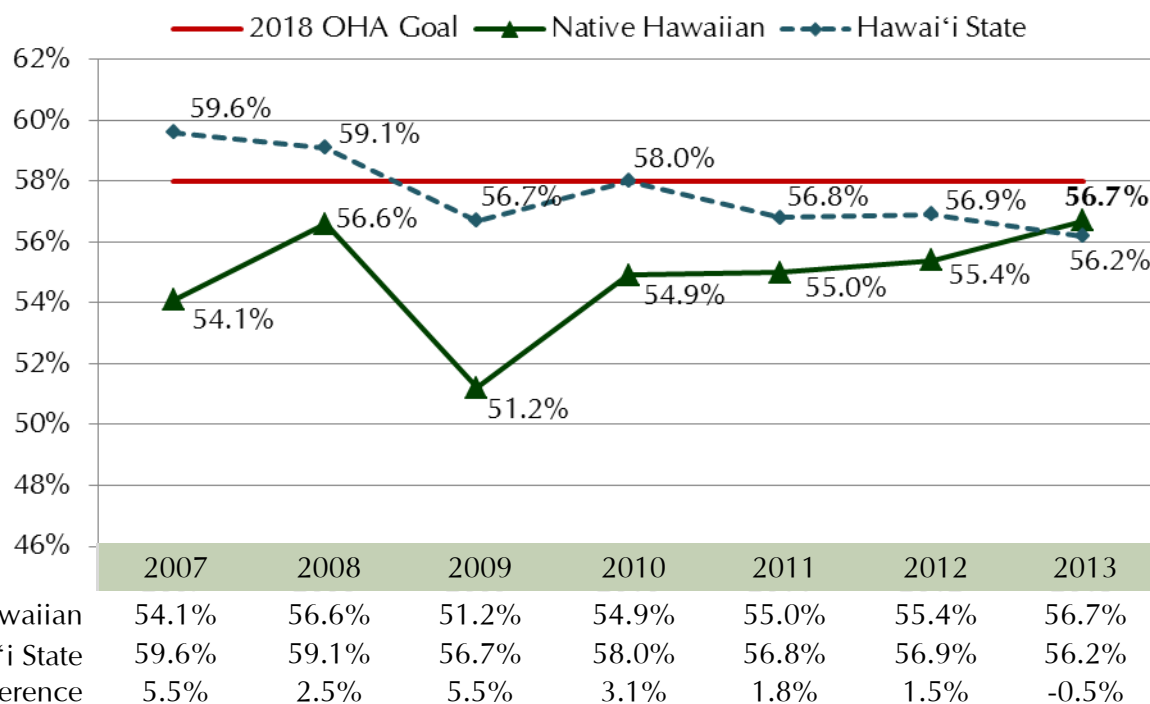
## OFFICE of HAWAIIAN AFFAIRS

**Comparison of Native Hawaiian to Hawai'i State Homeownership Rates:  
Response to Legislative Data Request, January 2015**

OHA's Strategic Plan includes a focus on building stability in housing by increasing the percent of Native Hawaiian owner-occupied housing from 56.62% to 58% by 2018.

- Homeownership rates are calculated by dividing the number of owner-occupied units by the total number of housing units. A housing unit is considered owner-occupied if the owner or co-owner lives in the unit, even if it is mortgaged, not fully paid for or on leased land.
- The most current data on homeownership rates in Hawai'i are derived from the U. S. Census Bureau, American Community Survey.
- Data on Native Hawaiian homeownership rates include only housing units which are owned or co-owned by a person of Native Hawaiian ethnicity alone or in any combination.

Figure 1. Comparison of Native Hawaiian to Hawai'i State Homeownership Rates



Source: U.S. Census Bureau (2008-2014). American Community Survey.

Note: Difference = Hawai'i State % - Native Hawaiian %.

### Summary

- Native Hawaiian homeownership rates have increased steadily since the Recession of 2008, while homeownership rates statewide have continued to decline, after a slight rebound in 2010.
- In 2013, 56.7% of the 68,670 housing units occupied by Native Hawaiians were owner-occupied, compared to 56.2% of the 450,120 housing units statewide.
- Although OHA has not yet achieved the 2018 goal, progress continues to be made. Today, Native Hawaiians own their own home at a rate comparable to rates across the state of Hawai'i.



**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS**  
560 N. NIMITZ HWY., SUITE 200  
HONOLULU, HAWAII 96817

January 22, 2015

Representative Sylvia Luke, Chair  
House Committee on Finance  
State Capitol  
Room 306  
415 South Beretania Street  
Honolulu, Hawai'i 96813  
Attn: Alberto Vargas

Representative Bertrand Kobayashi, Member  
House Committee on Finance  
State Capitol  
Room 403  
415 South Beretania Street  
Honolulu, Hawai'i 96813

Dear Chair Luke and Representative Kobayashi,

Pursuant to questions posed at OHA's budget briefing meeting on January 6, 2015, we hereby provide you with the following responses.

**Question 1. On page 19 of OHA's 2014 Annual Report, it reports a \$27 million "gap" between revenues [\$79.8 million] and expenditures [\$53.8 million]. What is this "gap"?**

**Response.**

Although OHA reported a positive "gap" in FY 14 as noted in Question 1 above, OHA accumulated a net spending deficit of over \$8 million in revenues over expenditures over the past 10 years as explained herein and summarized in Table 1 below.

OHA's audited financial statements are prepared in two presentations: *Governmental Funds* and *Government-Wide Statement of Activities*. This is in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Although neither are budgetary basis, OHA's *Governmental Funds* are a better representation of the current fiscal year's operating results as it provides a detailed short-term view of OHA's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of OHA.

For purposes of our response, we will refer to OHA's *Governmental Funds* and not its *Government-Wide Statement of Activities*. Therefore, we will refer to OHA's FY 14 unaudited "gap" of \$22.8 million rather than \$27 million for that reason.

This "gap" or "excess" is primarily due to \$51.6 million of *Interest and Investment Earnings* received by OHA during FY 14. When combined with other *Program Revenues* and *General*

*Revenues*, OHA received \$22.8 million more than it spent (unaudited) during FY 14. In comparison however, OHA's 2013 Audited Financial Statements did not report an excess but rather reported a deficiency of over \$11 million despite receiving \$35.1 million of *Interest and Investment Earnings* during FY 13.

OHA's Audited Financial Statements for FY 04 through FY 13 are available at [www.oha.org](http://www.oha.org).

Table 1 below summarizes OHA's *Excess of (Deficiency) Revenue over Expenditures* for the period FY 05 (audited) through FY 14 (unaudited) and compares it to its *Interest and Investment (Losses) Earnings* during that same period.

**Table 1. (larger image as Attachment A)**

OHA's Audited Financial Statements (Dollars in thousands)											
Fiscal Year	05	06	07	08	09	10	11	12	13	14*	Total
Excess of (Deficiency) Revenue over Expenditures	23,315	36,425	40,949	-42,395	-113,248	17,393	48,025	-30,231	-11,191	22,801	-8,157
Interest and Investment (Losses)	32,822	35,202	59,721	-23,094	-72,869	38,184	68,250	-4,662	35,109	51,557	220,220

Although OHA has accumulated net investment earnings of over \$220 million over the past 10 years, our accumulated net spending deficit of over \$8 million for the same period confirms that OHA is not simply aiming to add "surplus" to its fund balance but rather utilizes its asset base toward the achievement of its mission.

**Question 2. Why is OHA not using more of its \$600+ million fund balance to service Native Hawaiians?**

**Response.**

Although OHA reported a \$600+ million fund balance, approximately \$257 million (unaudited) or 40% of OHA's \$600+ million fund balance is comprised of capital assets and only \$356 million (unaudited) or 55% is considered as unrestricted, which is mainly comprised of OHA's investment portfolio and its investment earnings.

As seen in OHA's financial statements, *Interest and Investment Earnings* comprise the majority of *General Revenues*. However, OHA's current Native Hawaiian Trust Fund's (NHTF) earnings are not directly utilized by OHA's current core operating budget as this would cause unsustainable spending increases in times of prosperity and possibly crippling cuts during years of market declines. Instead, the NHTF's current earnings will impact OHA's **future** core operating budgets as the gains/losses will increase or decrease the portfolio's average market value.

Consistent with best practices among foundations and endowments, and with the purpose of ensuring the continued viability of its NHTF, OHA's Board of Trustees adopted its first Spending Policy in 2003. Since spending policies are primarily designed to hedge against market fluctuations, OHA's Spending Policy limits is annual spending to help ensure sufficient resources are available for future generations. The annual withdrawal from the NHTF is

determined by OHA's spending policy as no more than 5% of the 20-quarter rolling average market value of the investment portfolio.

To further illustrate this point, Table 2 summarizes OHA's calculated 5% of average market value for fiscal years 2009 through 2015 and highlights the decrease in our annual spending power since the peak in FY 09. In addition, it reflects a significant decrease in OHA's 20-quarter rolling average market value; decreasing to \$342 million in the current fiscal year down from \$400 million in FY 09.

**Table 2. (larger image as Attachment B)**

**5% of Average Market Value; FY 09 through FY 15**

<b>Fiscal Year</b>	<b>09</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>
Average Market Value	400,735,931	370,521,562	376,436,018	374,131,711	370,615,463	359,123,504	342,218,550
5% of Average Market Value	20,036,797	18,526,078	18,821,801	18,706,586	18,530,773	17,956,175	17,110,928
Accumulated Change		-1,510,719	-1,214,996	-1,330,211	-1,506,024	-2,080,622	-2,925,869

Furthermore, approximately \$257 million or 40% of OHA's \$600+ million fund balance is comprised of capital assets, including various OHA-owned commercial and legacy real estate properties. These long-term assets currently provide minimum contribution to OHA's core operating budget with only 10% of estimated revenues generated from its Kaka'ako Makai parcels being allocated to OHA's Grants Program on an annual basis. For FY 15, this contribution totals \$265,887 or less than 1% of OHA's core operating budget.

Most of OHA's legacy properties, that comprise the largest portion of OHA's landholdings, currently do not generate sufficient revenue to be self-sustaining. The exception is its recent acquisition of the Palauea Cultural Preserve on Maui. 05% of each home sale in the area surrounding the preserve is deposited into an account for future upkeep and long-term stewardship of this historical site.

OHA's commercial properties, however, are self-sustaining with any current year operating "surplus" carried forward and incorporated into its next year's operating budget. OHA's funding sources and related expenses, including its properties, are shown in Table 3 on the following page.

**Table 3. (larger image as Attachment C)**

**OHA's FY 15 Funding Sources and Expenditures**

Description	Core Operations [A]				Commercial Properties [F]	Legacy Property [H]	Special Programs [J]		Total
	State General Funds [B]	Act 178 Revenues [C]	5% of NHTF [D]	10% of Kakaako Makai [E]	90% of Kakaako Makai [G]	Palauca Cultural Preserve [I]	Federal Programs [K]	Other Funding Sources [L]	
Funding Sources	\$ 2,741,574	\$ 15,100,000	\$ 17,110,928	\$ 265,887	\$ 2,392,983	\$ 321,611	\$ 1,227,253	\$ 818,998	\$ 39,979,234
Carryover Surplus					1,174,200				1,174,200
Expenses									
Personnel	\$ 520,300	\$ 7,690,445	\$ 5,710,845		\$ 206,500		\$ 664,206		\$ 14,792,296
Program			2,021,860		21,000		42,201		2,085,061
Contracts	1,189,400		6,407,356		1,555,000		415,381		9,567,137
Grants	735,000	7,409,555		265,887		76,500			8,486,942
Travel			616,560		19,000		28,550		664,110
Equipment			516,950		428,500		4,366		949,816
Overhead	296,874		1,837,357		210,340		72,549		2,417,120
OHA Subsidiaries								818,998	818,998
Total Expenses:	\$ 2,741,574	\$ 15,100,000	\$ 17,110,928	\$ 265,887	\$ 2,440,340	\$ 76,500	\$ 1,227,253	\$ 818,998	\$ 39,781,480
[M] Surplus/(Deficit):	\$ -	\$ -	\$ -	\$ -	\$ 1,126,843	\$ 245,111	\$ -	\$ -	\$ 1,371,954

[A] OHA's basic operating budget consisting of payroll, operations, and program expenditures

[B] State general funds appropriations determined by the legislature during each Biennium

[C] Act 178, SLH 2006, revenues received per year

[D] OHA's Native Hawaiian Trust Fund's (NHTF) Spending Policy limits annual spending to 5% of the fund's twenty-quarter (20-quarter) rolling average market value

[E] 10% of lease and other revenues generated from OHA-owned Kakaako Makai parcels are allocated towards its Community Grants Program

[F] Revenue-generating OHA-owned Kakaako Makai parcels

[G] Lease and other revenues generated from OHA-owned Kakaako Makai parcels

[H] Revenue-generating OHA-owned Legacy parcels

[I] .05% of each home sale in the area is deposited into the Palauca Management Fund to be used for the upkeep and long-term stewardship of this historical site

[J] Other funding sources available to OHA

[K] The amount of federal funding available each year is based on budgets submitted by OHA and approved by the respective grantors

[L] Other non-federal funding sources include its Hawaiian Projects fund, Hawaiian Rights fund, and repayments from its inactive OHA/DHHL Homesteader Loan Repayment

[M] Surplus carried forward to the next budget period and available to the originating parcel only

### Question 3. Why does OHA need State funding when it already uses its trust funds to assist Native Hawaiians?

#### Response:

OHA's mission is to mālama (protect) Hawai'i's people, environmental resources and assets, toward ensuring the perpetuation of the culture, the enhancement of lifestyle, and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation, recognized nationally and internationally. According to Hawai'i Revised Statutes Chapter 10, OHA is the principal public agency in the State of Hawai'i responsible for:

- Bettering of conditions of Native Hawaiians;
- Coordinating programs and activities relating to Native Hawaiians;
- Assessing the policies and practices of other agencies which impact Native Hawaiians;
- Conducting advocacy efforts on behalf of Native Hawaiians; and,
- Serving as a receptacle for reparations.

Currently, one in five (21.3%) of our island population define themselves as Native Hawaiian. It is estimated that OHA's beneficiary base could be as high as 280,000 Native Hawaiians throughout the State of Hawai'i.

Unlike many other agencies, OHA seeks minimum State support each year for its operations. In fact, 78% of our FB 16/17 State general funds ask will be used to provide direct services to Hawai'i residents. If OHA does not receive State support for our FB 16/17, an estimated 7,605 (1/2 of 15,210) Native Hawaiians will not receive services as described in Table 4 below. Moreover, while OHA's programmatic funds are designated specifically for Native Hawaiians, the programs we help fund also provide services to Hawai'i's general population, including non-Native Hawaiians.

**Table 4. (larger image as Attachment D)**

**Estimated Native Hawaiians Served in FB 16/17 with State and OHA Funding**

Social Services	Legal Services	Education	Health	Housing	Income	<b>Total Est. Native Hawai- ans Served</b>
5,000 less NHs provided information and referral services	850 inquiries gone unaddressed	1,000 less NHs enrolled in after-school programs	1,300 NHs not completing an Individual Treatment Plan	220 less NHs receiving rental assistance	450 less NHs developing individual development plans	
700 less NHs provided case management services	300 clients not represented	920 less testing readiness activities conducted	1,010 NHs not receiving patient education	Up to four less homes built	180 less NHs pursuing 2-year degrees or short term certificates	
500 less NHs provided information and emergency financial assistance		140 less NHs receiving assistance to meet or exceeded Reading testing standards	660 less NHs improving their dietary eating habits	130 less NHs participating in IDA savings for housing	90 NHs not earning a short-term certificates	
550 less NHs provided financial literacy services		260 less NHs receiving assistance to meet or exceeded Math testing standards	300 NHs not reducing weight and their BMIs	120 less NHs obtaining stable rental housing	100 NHs not able to complete Employment Preparation/Job Readiness Training	
				360 NHs failing to receive financial training	70 less NHs attaining employment	
6,750	1,150	2,320	3,270	830	890	15,210

In our quest to improve conditions for Native Hawaiians, OHA has been working closely with many community-based partners to identify the most urgent needs and bring new attention, needed resources and a strong policy voice to addressing urgent needs that are critical to steer the State in a desirable direction.

In fact, during the same period of time (FY 07 - FY 15) in which OHA received slightly less than \$25 million in State general funds, it committed nearly twice as much, over \$46 million<sup>1</sup>, in support of other State agencies and its University as summarized in Table 5 and Figure 1 on the following page. These figures, however, do not include numerous other contracts, memoranda of agreements, and partnerships that OHA enters into to facilitate the kuleana, or responsibility, of other state agencies (e.g. Hawaiian language assessment, USGS low flow study to assist with State Water Plan, Native Hawaiian Law training course for state boards and commissions, watershed reports, etc.); often times bearing a significant portion of the total cost.

<sup>1</sup> OHA is still in the process of reviewing these amounts. The current totals in Table 5 for *Total OHA Support Given* are used herein for discussion purposes only. Final amounts will be provided in the next OHA budget testimony submission.

**Table 5. (larger image as Attachment E)**

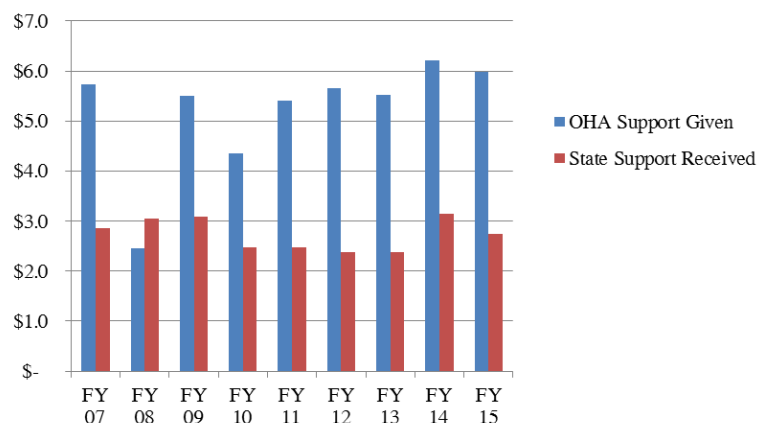
**OHA Support of State Agencies and its University of Hawai‘i  
FY 07 (actual) - FY 15 (projected)**

Fiscal Year	University of Hawai‘i	Other State Agencies	Total OHA Support Given
FY 2007	\$ 1,264,579	\$ 4,473,903	\$ 5,738,482
FY 2008	1,651,580	700,000	2,451,115
FY 2009	2,158,398	2,852,712	5,501,614
FY 2010	1,266,470	3,094,677	4,360,147
FY 2011	1,317,300	4,188,500	5,403,268
FY 2012	1,317,300	3,228,000	5,656,644
FY 2013	1,317,300	3,231,000	5,517,470
FY 2014	1,317,300	4,886,500	6,203,800
Projected FY 2015	1,379,296	4,594,607	5,973,903
<b>Total:</b>	<b>\$ 15,760,422</b>	<b>\$ 31,046,021</b>	<b>\$ 46,806,443</b>

**State General Funds to OHA  
FY 07 - FY 15**

Fiscal Year	Total State Support Received
FY 2007	\$2,866,279
FY 2008	3,053,108
FY 2009	3,087,075
FY 2010	2,469,659
FY 2011	2,469,659
FY 2012	2,370,872
FY 2013	2,370,872
FY 2014	3,141,574
FY 2015	2,741,574
<b>Total:</b>	<b>\$24,570,672</b>

**Figure 1. Funding Comparison (in millions)**



I am hopeful this letter represents the thorough response you and your committee were hoping to receive to continue in your support of OHA’s biennium budget. I am happy to respond to any other questions or concerns you may have and welcome the opportunity to meet with you one-on-one. Please feel free to contact me at 594-1999 should you have any questions or require additional information

‘O wau iho nō,

*Hawley Iona*

Hawley Iona  
Chief Financial Officer  
Ka Pou Kihi Kanaloa Wai

Attachments

## OHA's Audited Financial Statements (Dollars in thousands)

Fiscal Year	05	06	07	08	09	10	11	12	13	14*	Total
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\*FY 14 unaudited as of 1/15/2015



**5% of Average Market Value; FY 09 through FY 15**

<b>Fiscal Year</b>	<b>09</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>
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## OHA's FY 15 Funding Sources and Expenditures

Description	Core Operations [A]				Commercial Properties [F]	Legacy Property [H]	Special Programs [J]		Total
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Expenses									
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[M] Surplus/(Deficit):	\$ -	\$ -	\$ -	\$ -	\$ 1,126,843	\$ 245,111	\$ -	\$ -	\$ 1,371,954

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[M] Surplus carried forward to the next budget period and available to the originating parcel only

### Estimated Native Hawaiians Served in FB 16/17 with State Funding

Social Services	Legal Services	Education	Health	Housing	Income	<b>Total Est. Native Hawaii- ans Served</b>
5,000 less NHs provided information and referral services	850 inquiries gone unaddressed	1,000 less NHs enrolled in after-school programs	1,300 NHs not completing an Individual Treatment Plan	220 less NHs receiving rental assistance	450 less NHs developing individual development plans	
700 less NHs provided case management services	300 clients not represented	920 less testing readiness activities conducted	1,010 NHs not receiving patient education	Up to four less homes built	180 less NHs pursuing 2-year degrees or short term certificates	
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6,750	1,150	2,320	3,270	830	890	15,210

**OHA Support of State Agencies and its University of Hawai'i  
FY 07 (actual) - FY 15 (projected)**

<b>Fiscal Year</b>	<b>University of Hawai'i</b>	<b>Other State Agencies</b>	<b>Total OHA Support Given</b>
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FY 2008	1,651,580	799,535	2,451,115
FY 2009	2,158,398	3,443,216	5,501,614
FY 2010	1,325,887	3,034,260	4,360,147
FY 2011	1,948,268	3,455,000	5,403,268
FY 2012	2,428,644	3,228,000	5,656,644
FY 2013	2,286,470	3,231,000	5,517,470
FY 2014	1,317,300	4,886,500	6,203,800
Projected FY 2015	1,379,296	4,594,607	5,973,903
<b>Total:</b>	<b>\$ 15,760,422</b>	<b>\$ 31,046,021</b>	<b>\$ 46,806,443</b>

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FY 07 - FY 15**

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FY 2012	2,370,872
FY 2013	2,370,872
FY 2014	3,141,574
FY 2015	2,741,574
<b>Total:</b>	<b>\$24,570,672</b>



**Department of Land and Natural Resources  
Aha Moku Advisory Committee  
State of Hawaii  
Post Office Box 621  
Honolulu, Hawaii 96809**

Testimony of  
Leimana DaMate, Executive Director

Before the House Committee on  
Finance

Wednesday, March 11, 2015  
11:00 A.M.  
State Capitol, Conference Room 308

**In SUPPORT of  
House Bill 209, HD1  
Relating to the Budget of the Office of Hawaiian Affairs**

House Bill 209 HD 1 appropriates funds for the Office of Hawaiian Affairs (OHA) for the fiscal biennium beginning July 1, 2015, and ending June 30, 2017. The Aha Moku Advisory Committee (AMAC) strongly supports this measure.

The Aha Moku System encompasses the eight main Hawaiian Islands and supports the traditional and generational resource knowledge of the people who are connected to each of the 43 moku and more than 500 ahupua'a. This knowledge is handed down generation to generation by experts in site-specific resource methodology.

The protection of the traditional and generational resource knowledge of Hawaiian practitioners that is site specific is one of the primary focuses of the AMAC. It is also part of the goals of OHA who are mandated to better the conditions of native Hawaiians as well as to support the culture of the kanaka maoli who can never be separated from the land or ocean.

When the AMAC was created by the Legislature and attached to DLNR in 2012 funding was appropriated to support the administrative and operating costs. However, from 2012 until now, no funding was ever released. To save the Aha Moku program and allow it to do the resource sustainability it needed to do through a program restored by traditional practitioners of every Hawaiian discipline – OHA, on their own, funded the AMAC. This was at great cost to their budget needs which is reflected in HB 209 HD 1.

**We strongly support HB 209 HD1 and urge this committee to pass this measure.**

Mahalo nui loa.

Center for Hawaiian Sovereignty Studies  
46-255 Kahuhipa St. Suite 1205  
Kane'ohe, HI 96744  
Tel/Fax (808) 247-7942  
Kenneth R. Conklin, Ph.D. Executive Director  
e-mail [Ken\\_Conklin@yahoo.com](mailto:Ken_Conklin@yahoo.com)  
Unity, Equality, Aloha for all



To: HOUSE COMMITTEE FINANCE  
For hearing Wednesday, March 11, 2015

Re: HB 209, HD1 RELATING TO THE BUDGET OF THE OFFICE OF  
HAWAIIAN AFFAIRS.

Appropriates funds for the office of Hawaiian affairs for the fiscal  
biennium beginning July 1, 2015, and ending June 30, 2017.

#### TESTIMONY IN OPPOSITION

During every biennium OHA demands an appropriation of millions of dollars of general funds (i.e., taxpayer dollars), and the Legislature meekly complies. Could we perhaps expect the Legislature to demand an accounting for how OHA spends its money? Will the Legislature demand that OHA comply with state law regarding disclosure of its operating expenses and transparency regarding meeting agendas, in return for giving state government funds to OHA?



The question arises whether OHA is a state government agency. OHA has repeatedly asserted it is not a state agency and therefore need not comply with state laws.

In view of its own assertion that it is not a state agency, the Legislature should feel no obligation to appropriate state funds to OHA.

OHA's refusal to comply with state law is most easily visible regarding the Office of Information Practices. On August 10, 2011 and also on August 29, 2011 online newspaper Civil Beat published articles about OHA's refusal to disclose the salaries of its employees despite being ordered by OIP to make such disclosures, just as other government agencies are required to do. See the following two articles, and take note of the headlines as found in the URLs themselves:

<http://www.civilbeat.com/posts/2011/08/10/12472-oha-employees-were-public-last-year-but-not-this-year/>

and

<http://www.civilbeat.com/posts/2011/08/29/12666-oha-takes-second-shot-at-claiming-its-employees-arent-public/>

Most recently OIP filed a formal complaint against OHA regarding OHA's failure to publish an agenda regarding its trustees' decision-making activities on whether to endorse or rescind an important and highly controversial letter sent by the OHA CEO to U.S. Secretary of State John Kerry -- a topic that large numbers of Hawaii citizens wanted to testify about to the trustees in hopes of influencing their decision. The State Auditor has also criticized OHA for its lack of transparency in business and real estate transactions.

During the most recent bienniums OHA has filed bills seeking to exempt itself from the laws governing procurement of goods and services, and from the open meeting laws. For years now, OHA has evaded public accountability. It operates in the shadows, spending millions on overhead, salaries, first-class travel and entertainment, political lobbying, advertising, etc. instead of on the "beneficiaries."

OHA has always imagined itself to be comparable to the tribal council of an Indian tribe, and asserted such claims in its legal briefs in *Rice v. Cayetano* as a reason why voting for OHA trustees should be limited to ethnic Hawaiians. The Akaka bill sat in Congress for thirteen years while newspaper articles repeatedly said its passage was just around the corner, raising OHA's hopes that soon there would be a federally recognized tribe in Hawaii which could govern its members with total secrecy and lack of accountability, just as the real Indian tribes do. Hawaii Act 195 of 2011 began a process of creating a state-recognized tribe even without it getting federal recognition. OHA imagines the state recognized tribe will be a private club which can operate in secrecy. The U.S. Department of Interior is right now conspiring to change the rules for federal recognition of an Indian tribe in order to allow the Obama administration to do by executive order what Congress steadfastly refused to do.

OHA has an ever-changing website with URLs that soon go dead (making it hard to prove what OHA actually says). The following statement has appeared repeatedly for many years:

"When OHA is spending State general fund revenues, it needs to operate as a state agency and, as such, must comply with various state laws and regulations. However, when OHA operates as a trust, its allegiance is to its beneficiaries."

But that's nonsense. OHA must always operate as a state agency, regardless whether it likes to imagine itself to be a trust whenever convenient to its purposes; and even if it were a trust it would still have to comply with state law and make a full disclosure of its operating expenses to the state Attorney General. I once had occasion to converse with Randy Roth, the distinguished Professor of Law at UH Manoa whose specialty is the law of trusts. I asked him "Is OHA a trust, like the actual trusts you teach about in your law classes?" He laughed at the absurdity, and said "No."

In keeping with the fiction that OHA is sometimes a state agency and sometimes a private trust, like a blinking light, this bill to appropriate general fund tax dollars to OHA purports to identify which portions of budgeted amounts are attributable to General Funds (marked with an "A") vs. which are attributable to Trust Funds (marked with a "T"). But the criteria are not at all clear for what percentage is attributable to each category, and in any case the whole blinking light concept is ridiculous.

According to its annual report, OHA has assets of more than \$650 Million. Aside from real estate in Hawaii, most of that money has been ripped out of the economy of Hawaii and squirreled away in the New York stock and bond markets. Let OHA bring some of that money home and spend it for its operating expenses. When OHA was established in the Constitutional Convention of 1978, the idea was that OHA would receive and promptly disburse funds for the benefit of poor, downtrodden ethnic Hawaiians. It was never envisioned that OHA would accumulate a hoard of cash and real estate.

OHA talks about self-determination and nation-building. Let OHA prove that it is capable of walking the talk by paying its own way without leeching money forever from Hawaii's hardworking and overburdened taxpayers.

## **MEDIATION CENTERS OF HAWAII, INC.**

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245 N. Kukui Street, Ste. 206, Honolulu, HI 96817  
Tel: 521-6767 Fax: 538-1454 Email: mcp@mediatehawaii.org

March 9, 2015

**TESTIMONY FROM:** Tracey S. Wiltgen, Contract Administrator, Mediation Centers of Hawaii, Inc., and Executive Director, The Mediation Center of the Pacific, Inc.

**TO:** Representative Sylvia Luke, Chair  
Representative Scott Y. Nishimoto, Vice Chair  
Committee on Finance  
Hawaii State Capitol, Conference Room 308

**Re:** HB 209 HD1 Relating to the Judiciary

**Hearing:** Wednesday, March 11, 11:00 a.m. Committee on Finance

Dear Chair Luke, Vice Chair Nishimoto and Members of the Committee on Finance:

### **The Mediation Centers of Hawaii supports HB 209 HD1.**

Mediation Centers of Hawaii (MCH) is a statewide nonprofit organization whose mission is to educate and empower the people of Hawaii to resolve conflicts peacefully by providing high-quality, accessible dispute resolution services. MCH serves the people of Hawaii through the collaboration of five community mediation centers located throughout the State: KEO Mediation Program of Kauai Economic Opportunity (Kauai); Ku'ikahi Mediation Center (Hawaii); The Mediation Center of the Pacific (Oahu); Mediation Services of Maui doing business as Maui Mediation Services (Maui); and Big Island Mediation Center doing business as West Hawaii Mediation Center (Hawaii). For the last twenty-four years, through these centers, MCH has provided Hawaii's communities with affordable and accessible dispute resolution services that empower people of all ages to resolve their disputes quickly. These five community mediation centers are the only dispute resolution options in the State for people in the low income and vulnerable populations.

Since its incorporation in 1991, MCH has opened more than 77,672 cases. Over the past three fiscal years (FY 2011-2014), an average of 3,168 cases per year were referred to MCH Centers, with 71% of those cases coming from the State justice system. Yet, despite this track record of success, over the years, funding for the centers has declined. In Fiscal Year 1991-1992, funding from the Judiciary's Center for Alternative Dispute Resolution (CADR) to MCH was \$528,529. Today the contract between CADR and MCH is \$400,000 and \$10,000 of those funds support the administration of the Family Court Volunteer Settlement Master Program in the First Circuit. Thus, the available funds to support community mediation and dispute resolution services is \$390,000 annually, which represents only 25% of the community mediation centers' total annual operating budgets.



## **Community Mediation Helps to Increase Access to Justice**

Over the past fifteen years, mediation has become the favored process for addressing legal disputes of all types. While people with financial resources hire private mediators and dispute resolution professionals to resolve their disputes, the community mediation centers are the only option for making these services available to the low income and vulnerable populations. Thus, the community mediation centers play a key role in increasing access to justice by providing affordable and accessible mediation and dispute resolution services in areas such as family, divorce, custody and visitation of children of unmarried couples, landlord/tenant matters and more. Equally important is the fact that while the adversarial nature of the legal system oftentimes further damages the relationship of those in the dispute, mediation and other dispute resolution processes used by the community mediation centers, help to restore communication and improve relationships. These outcomes serve to reduce future conflicts, and ultimately strengthen families and the communities they live in.

With added funding, the community mediation centers would be able to play an even greater role in helping to increase access to justice by helping more: divorcing couples negotiate the terms of their divorce without fighting; unmarried couples with children agree on time-sharing and co-parenting plans that focus on the needs of their children; landlords and tenants to negotiate payment plans that would enable the tenants and their families to remain in their homes; and families agree on family plans to support the needs of an elderly family member.

## **Mediation and Family Conferencing are Key Goals in the Hawaii State Plan on Alzheimer's Disease & Related Dementias**

A key goal of the community mediation centers is to create innovative programs that address pressing community needs, particularly for those in the low income and vulnerable populations. A current critical need in Hawaii is helping families talk and make plans and decisions together to support elderly members. The growing elder population and limited resources to support this population has placed huge strains on families. Family conflicts related to caring for an elderly member, particularly if that person has Alzheimer's disease or a related dementia, adversely impact everyone in the family. It is for this reason that the Hawaii State Plan on Alzheimer's Disease & Related Dementias has included mediation and family conferencing as one of its targeted goals.

When families don't talk about issues impacting an elderly family member, the needs of the elderly member are often not addressed or are not addressed in a timely manner, particularly when they are in the low income population. The elderly person may not be eating, taking medication, or able to perform other basic life functions and cannot afford to hire someone to assist. Bringing family members together through mediation or other dispute resolution process, enables them to discuss the situation, access available resources, and agree on plans that can help to ensure that the elderly family members receive the assistance they need.

To address these needs, the Mediation Center of the Pacific created the Kupuna Pono Program. This unique Program provides culturally sensitive processes for families from diverse backgrounds, to discuss their issues and simultaneously incorporate the recommendations of healthcare personnel and/or other professionals into a customized plan to support the elder.

Through the Program, families are more quickly able to agree on appropriate next steps to support their elder member including transitioning from medical discharge to home or assisted living, maintaining the dignity of the elder person, strengthening the family relationship, and eliminating the need for guardianship proceedings or other legal interventions.

While this Program is still in its formative stages, it has already demonstrated success with assisting families caring for an elder member. Because it is unlike any other program and is designed to meet the unique demographics of Hawaii, the Mediation Center has already received requests for the services on other islands. Unfortunately, it is currently only available on a limited basis on Oahu. Only with additional funding will the Program be able to grow and be extended to the neighbor islands. With the funding sought through HB 209 HD1, the Kupuna Pono Program would be made available to all families throughout the State through the community mediation centers.

**Community mediation is a critical resource in Hawaii. Additional funding support through HB 209 HD1 will enable the community mediation centers to help more of Hawaii's people work through their differences quickly, without the need for formal legal services.**

The many opportunities provided by the community mediation centers to prevent and resolve disputes quickly and affordably through culturally sensitive processes are a vital resource for Hawaii's residents. The services can mean the difference between: adult siblings creating a mutually agreeable plan to support an elderly parent vs. battling it out in an adult guardianship proceeding and permanently damaging their relationship; or a couple finalizing a divorce amicably vs. the escalation of emotions and potential violence. With additional funding, the community mediation centers would be able to assist many more people, particularly those in the low income and vulnerable populations, including the elderly and their families.

Your favorable approval of HB 209 HD1 is essential to grow community mediation in Hawaii and ultimately reduce the workload of the Hawaii State Judiciary.

Sincerely,



Tracey S. Wiltgen  
Contract Administrator



## **Association of Hawaiian Civic Clubs**

P. O. Box 1135  
Honolulu, Hawai'i 96807

### **HOUSE COMMITTEE ON FINANCE**

### **HB209HD1 RELATING TO THE BUDGET OF THE OFFICE OF HAWAIIAN AFFAIRS**

Wednesday, 3/11/15; 11:00 a.m.; Room 308

Aloha Madam Chair Luke, Vice Chair Nishimoto and members of the House Finance Committee meeting to discuss the budget of the Office of Hawaiian Affairs.

The Association of Hawaiian Civic Clubs (AHCC) is comprised of sixty-seven component clubs throughout Hawaii and sixteen states on the continent. Our first club was founded in 1918 by Prince Kuhio and a group of Hawaiian citizens. Since then the organization has continued to increase its numbers and establishing an Association in 1959.

Hawaiian Civic Clubs participated in the establishment of the Office of Hawaiian Affairs and continue to take an enduring interest in the activities of the agency. While we are often in agreement with OHA and the Trustees, when we do not agree we are not hesitant to tell them so. Having said that, we are also appreciative of OHA as an agency embedded in the State constitution knowing that Native Americans of other States have no such advocate.

We support this bill and urge its passage. Mahalo.

Contact: [Jalna.keala2@hawaiiantel.net](mailto:Jalna.keala2@hawaiiantel.net)



# KO'OLAUPOKO HAWAIIAN CIVIC CLUB

March 10, 2015

To: Committee on Finance  
Rep. Sylvia Luke, Chair  
& Members

From: Alice P. Hewett, President  
Ko'olaupoko Hawaiian Civic Club

Re: H.B. 209, HD1 – Supporting the Appropriations for OHA

Aloha Chair Luke and Members of the Finance Committee:

On behalf of the Ko'olaupoko Hawaiian Civic Club, we offer our strong support for legislation that would fully fund the operations of the Office of Hawaiian Affairs.

Our civic club has worked closely with OHA for many years, and has watched as the agency has grown and matured as a functioning representative and advocate for the Hawaiian people.

Undoubtedly, there have been times when there has been disagreement among Hawaiian people, and some have challenged OHA to explore alternate pathways toward sustainability and self-determination.

We would like to point out that disagreements are not isolated to the Native Hawaiian community; you have it right here, in the State Legislature, from time to time. It is a healthy mechanism for airing of viewpoints and making better decisions.

We have faith in OHA, its board of trustees and its staff, to carry out their mission to serve the Hawaiian people. We urge you to provide the full funding requested by OHA so that they may do the work that they are charged with doing.

Mahalo for this opportunity to offer our mana`o.

*The Ko'olaupoko Hawaiian Civic Club was established in 1937 and is a not-for-profit community organization dedicated to preserving and perpetuating the history, heritage and culture of Native Hawaiians. Its membership is open to people of Hawaiian ancestry and those who are "Hawaiian at heart".*

P. O. Box 664 \* Kaneohe, HI 96744 \* Ph. (808) 235-8111 \* [www.koolaupokohcc.org](http://www.koolaupokohcc.org)







*Ko`olau Foundation*

P. O. Box 4749  
Kane`ohe, HI 96744

March 11, 2015

Testimony in Support – H.B.209, H.D.1 – OHA Appropriations

To: Rep. Sylvia Luke, Chair  
& Members, Finance Committee

From: Mahealani Cypher  
Ko`olau Foundation

Aloha, Chair Luke and members of the Finance Committee:

On behalf of the Ko`olau Foundation, I offer our strong support for House Bill 209, House Draft 1, which would provide funding for the Office of Hawaiian Affairs.

We have followed the work of OHA since its establishment decades ago, and have watched this agency and its board withstand and endure many challenges over the years. Both the Board of Trustees and the staff are deeply committed to serving the Hawaiian people in a responsible and pono manner. They do their best to address concerns, and work hard to maintain accountability and responsible management of their resources and kuleana.

We are hopeful that you will fully fund the request from OHA to support all of the important programs that they manage. Helping OHA be successful would be a credit to all of you, and meets a critical need of the Hawaiian people. OHA provides the bridge between the past and the future for our people, and they need your help to carry on their work.

We urge you to support their funding.

Me kealoha pumehana.

**Dr. Tom Apple**  
President/Treasurer

**Duane E. Kurisu**  
Vice President

**Lori Ann C. Lum**  
Director

**Tyler Tokioka**  
Director

**Lt. Governor Shan S. Tsutsui**  
Director

**Jayson M. Watts**  
Executive Director/Board Secretary



TESTIMONY OF THE  
BOARD OF DIRECTORS OF REACH OUT HAWAII  
TO THE  
HOUSE COMMITTEE ON FINANCE

**HOUSE BILL NO. 209, HOUSE DRAFT 1**  
Relating to the Budget of the Office of Hawaiian Affairs

March 11, 2015

Dear Chair Luke, Vice Chair Nishimoto, and members of the committee:

Thank you for the opportunity to provide testimony in *support* of House Bill No. 209, House Draft 1.

REACH Out Hawai'i is a nonprofit corporation which was established in 2013 to support the state's R.E.A.C.H. Initiative in developing a comprehensive framework for afterschool programs for public middle and intermediate schools throughout the state. Our mission at REACH Out Hawai'i is to leverage resources to help build a sustainable funding base for high quality programs that keep our kids engaged in learning so they can succeed in school and in life.

Finding the R.E.A.C.H. Initiative in alignment with its strategic goals, the Office of Hawaiian Affairs (OHA) stepped forward to make a significant investment of \$75,000 to support two of the five schools selected to participate in the R.E.A.C.H. Initiative pilot – Molokai Middle and Hana High & Elementary Schools, as these two schools were identified as having a higher average density of Native Hawaiian students. Through a Memorandum of Agreement between OHA, the Department of Education and the Office of the Lieutenant Governor (LTG), the aforementioned schools were included in the initial phase of the pilot project. Due to the support provided by OHA, the LTG was able to provide additional resources to fund a second phase of the pilot project in spring 2014 and four additional schools, including one charter school, were awarded funding for equipment and supplies based on need and merit demonstrated in the initial application process.

In the spirit of that partnership and for the reasons stated above, we express our *support* for HB 209, HD 1 and OHA's request to refocus their education proviso to prioritize education improvement programs to help Native Hawaiian students meet or exceed educational standards and increase the amount of funding for after school grants in FY16 & FY17

Thank you for your continued commitment to our keiki and the opportunity to testify.

From: mailinglist@capitol.hawaii.gov  
Sent: Monday, March 09, 2015 11:32 AM  
To: FINTestimony  
Cc: kealohafox@gmail.com  
Subject: Submitted testimony for HB209 on Mar 11, 2015 11:00AM

**HB209**

Submitted on: 3/9/2015

Testimony for FIN on Mar 11, 2015 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Leanne Fox	Individual	Support	No

Comments: I strongly SUPPORT HB209 which would provide the needed funds to support programs and operations that will directly benefit OHA's beneficiaries. This bill includes proposals to match OHA trust funds with state general funds to support programs that provide education, housing, health, social, income, and legal services to Native Hawaiians. These funds will ultimately strengthen Hawaii families. I have personally been a recipient of programs and services either directly or indirectly administered by non-profits that were funded by OHA. I know firsthand how valuable these services are to my family and my community. For these reasons, I urge you to PASS this measure.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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I strongly SUPPORT HB209 which would provide the needed funds to support programs and operations that will directly benefit OHA's beneficiaries. This bill includes proposals to match OHA trust funds with state general funds to support programs that provide education, housing, health, social, income, and legal services to Native Hawaiians. These funds will ultimately strengthen Hawaii families. I have personally been a recipient of programs and services either directly or indirectly administered by non-profits that were funded by OHA. I know firsthand how valuable these services are to my family and my community. For these reasons, I urge you to PASS this measure.

finance1-Kim

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, March 09, 2015 4:41 PM  
To: FINTestimony  
Cc: dakatz@aol.com  
Subject: \*Submitted testimony for HB209 on Mar 11, 2015 11:00AM\*

**HB209**

Submitted on: 3/9/2015

Testimony for FIN on Mar 11, 2015 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Godfrey	Individual	Support	No

Comments:

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finance1-Kim

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, March 09, 2015 4:40 PM  
To: FINTestimony  
Cc: Kapinapalacat@gmail.com  
Subject: \*Submitted testimony for HB209 on Mar 11, 2015 11:00AM\*

**HB209**

Submitted on: 3/9/2015

Testimony for FIN on Mar 11, 2015 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Kapina	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, March 10, 2015 8:49 AM  
To: FINTestimony  
Cc: igoraaina@hotmail.com  
Subject: Submitted testimony for HB209 on Mar 11, 2015 11:00AM

**HB209**

Submitted on: 3/10/2015

Testimony for FIN on Mar 11, 2015 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Gora-Aina	Individual	Support	No

Comments: I strongly support HB 209. The funds that are requested will go directly to programs and service for our people. It is the states fiduciary kuleana to keep their word on the promised payment for resources used by the state.

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finance1-Kim

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From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, March 10, 2015 12:39 PM  
To: FINTestimony  
Cc: kamakane73@gmail.com  
Subject: \*Submitted testimony for HB209 on Mar 11, 2015 11:00AM\*

**HB209**

Submitted on: 3/10/2015

Testimony for FIN on Mar 11, 2015 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Kama Hopkins	Individual	Support	No

Comments:

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finance1-Kim

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From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, March 10, 2015 12:41 PM  
To: FINTestimony  
Cc: robertl@oha.org  
Subject: \*Submitted testimony for HB209 on Mar 11, 2015 11:00AM\*

**HB209**

Submitted on: 3/10/2015

Testimony for FIN on Mar 11, 2015 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Robert K. Lindsey, Jr.	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov  
Sent: Wednesday, March 11, 2015 8:56 AM  
To: FINTestimony  
Cc: anthony\_Orozco@yahoo.com  
Subject: Submitted testimony for HB209 on Mar 11, 2015 11:00AM

**HB209**

Submitted on: 3/11/2015

Testimony for FIN on Mar 11, 2015 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Anthony Orozco	Individual	Oppose	No

Comments: Stop taking general funds for this.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**LATE**

**Testimony of Hawai'i Green Growth in Support of Portions of HB209 HD1  
Relating to the Budget of the Office of Hawaiian Affairs**

**House Committee on Finance**

11 March 2014, 11:00am in Conference Room 308

Audrey Newman  
Hawai'i Green Growth  
P.O. Box 535 Ho'olehua, Hawai'i 96729

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*Hawai'i Green Growth is a voluntary partnership of more than 60 state, county, federal, business, cultural and non-governmental leaders from energy, food production, natural resources, waste reduction, planning, green jobs, and other sectors who have come together to support a shared statewide commitment and tangible actions toward sustainability and a model green economy.*

---

Aloha Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

**Hawai'i Green Growth (HGG) strongly supports the Office of Hawaiian Affairs budget (HB209 HD1)**, which includes critical protection of Hawai'i's natural and cultural resources, cultural practices, people, and historic and cultural heritage.

The Office of Hawaiian Affairs is a key leader in an advancing integrated sustainability and Native Hawaiian culture, and is one of the six signatories of the *Aloha+ Challenge: A Culture of Sustainability – He Nohona 'Ae'olia*.

The *Aloha+ Challenge* was unanimously endorsed by the 2014 Legislature (SCR 69) and signed by Hawai'i's Governor, Mayors and Office of Hawaiian Affairs. It is a joint leadership commitment to achieve six sustainability targets by 2030 in the areas of clean energy, local food production, natural resource management, solid waste reduction, smart growth and climate resilience, green jobs and education. It was also internationally recognized as a model of integrated sustainability at the UN Conference on Small Island Developing States in Samoa.

HGG leaders agree that support for the Office of Hawaiian Affairs' continuing work to increase sustainability and perpetuate Native Hawaiian culture is a top priority for the Legislature, and key to building a more sustainable future for Hawai'i.

Mahalo nui,

A handwritten signature in black ink that reads "Audrey Newman". The signature is fluid and cursive, with the first name "Audrey" written in a larger, more prominent script than the last name "Newman".

**Audrey Newman**

Senior Advisor, Hawai'i Green Growth (HGG)

*Bringing leaders together to achieve sustainability in Hawai'i & be a model for a green economy*

<http://www.hawaii greengrowth.org>